

San Remo District **Community Bank**<sup>®</sup> Branch  
Cowes **Community Bank**<sup>®</sup> Branch  
Grantville & District **Community Bank**<sup>®</sup> Branch



# annual report **2012**

San Remo District  
Financial Services Limited

ABN 20 102 770 150

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# Chairman's report

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For year ending 30 June 2012

Our Annual General Meeting will be held at the Newhaven Yacht Club in Seaview Street Newhaven on Monday 29 October at 7.30pm. A light supper will be served after the meeting.

Thanks to the support of **Community Bank**<sup>®</sup> customers and shareholders the Australia-wide network has returned in excess of \$80 million to support and strengthen local communities.

Our **Community Bank**<sup>®</sup> branches have played a key role in this milestone, returning more than \$600K to our local community with a further \$128,000 in dividends to shareholders. We have also placed \$130,000 at the Community Enterprise Foundation™ for future grants in June 2013. These community grants and sponsorships have made a significant difference to a number of local organisations including, Newhaven Recreations Ground, Woolamai Surf Lifesaving Club (major sponsor for past five years) and San Remo Recreation Centre.

We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Both San Remo and Cowes have contributed with monthly profits over the year – San Remo throughout and Cowes nine out of the twelve months, a most pleasing result for a branch just completing its third year of business. Grantville is ahead of prospectus figures after nearly nineteen months so all round the position of all branches leaves me with confidence in the system we are operating under.

Overall our staff continue to impress and provide all with outstanding service and the Directors and myself wish to thank them for their continuing efficiency.

To my fellow Directors thanks for your support and efforts, we look forward to an even better year in 2012/13.

Once again our Franchise partner Bendigo and Adelaide Bank, have supported us through tough financial times and my gratitude is passed on to all individuals who have contributed so well.

Thanks to our shareholders who have supported us over nine years, three years and the Grantville shareholders eighteen months, keep up the great work so we can continue to support you in your community. Your support strengthens our broad community.



**Terry Ashenden**  
**Chairman**

# San Remo Manager's report

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For year ending 30 June 2012

It is with pleasure that I again present the results for the financial year ending June 2012 on behalf of the San Remo District **Community Bank**® Branch.

In what was again a very challenging year, the branch was still able to achieve some fantastic outcomes.

- Our total footings held remained steady at \$93 million,
- Our profit was again nearly \$300,000,
- Our insurance sales were again strong with nearly \$40,000 in income.

Sponsorship activity was again busy however we have definitely noticed that we have had fewer requests than in the past now that Cowes and Grantville & District **Community Bank**® branches are up and running, so if any groups out there require sponsorship, please let us know. We have continued major sponsorship again this year with the San Remo Channel Challenge, Kilocunda Bass & Dalyston Football Clubs and we have also been able to assist in the purchase of a new Community Bus for Bass Coast Community Health Centre which is exciting for all involved.

Our community Eftpos facility has been up and running for over a year now and has been utilised for many events with great success. If any community group requires this facility for a fund raising night or auction night, please feel free to contact our branch. It is a facility available to all community groups, schools, not-for-profit organisations for your fund raising events.

Our budgets for this year have been set, and whilst again we believe that the market will be a very challenging one, with your continued support, these should be achievable.

Also, looking forward, we have a very special event in the planning stages for next year, and that is our 10th Birthday celebrations. We hope to incorporate our 2012 Grants night into these celebrations and hold a wonderful community event, so stay tuned for further details.

To our other branches within the community, a huge congratulations to the Cowes team and the Grantville team whom have both achieved fantastic results.

Again, my staff has done a magnificent job throughout the year. Tash, Di and Marcia make the banking experience a pleasure for all of our customers. They are experienced and diligent and most importantly, always have the customers' interests at heart, which is very important in the success of our business.



**Michael Scott**  
**Branch Manager**

# Cowes Manager's report

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For year ending 30 June 2012

We are really pleased with the results of our third 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 \$61.3 million on our books and we have continued this rapid growth, just like we did in the 2011 financial year.

For the financial year, we have managed to increase our overall footings from \$61.3 million to \$76 million 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 great effort we ended up exceeding budget by just over \$8 million.

- Total footings in lending at the end of the financial year stood at \$49.6 million which was an increase of \$9.1 million.
- In deposits we started the financial year at \$20.5 million and we managed to increase the footings to \$26.4 million, so overall a very pleasing outcome from our branch

We have contributed very generously to the community with over \$50,000 going back to the local community in the 2012 financial year. We have continued to support events such as the Cowes Classic and Carols by the Bay and many more events to help make our community a better place to be. On top of this we have become major sponsor of the Phillip Island Football and Netball club during the 2012 financial year.

There will be another big year ahead for us in the 2013 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 his 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 their contribution to the company. It's been a real team effort by everyone involved and the SRDFS is an exciting place to be part of.

I urge shareholders to come along to our AGM this year as the numbers have been a bit low previously and I ask you guys to come and enjoy the success that we have achieved together to make this great company what it is today.

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 Penny Barnett (who joined us in December 2011) for all their hard work and efforts throughout the year.



**Peter Wayman**  
**Branch Manager**

# Grantville Manager's report

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For year ending 30 June 2012

It is with great pleasure that I present the second Annual Report for the financial year ending 30 June 2012, on behalf of Grantville & District **Community Bank**<sup>®</sup> Branch.

What a fantastic, almost, 19 months of trading we have had.

Our business has grown by a whopping \$10.3 million to \$29.8 million; our book is split with deposits of \$16.3 million and loans of \$13.5 million, well ahead of prospectus forecast of \$24 million for trading period.

We have 1,165 accounts and this number grows each week, with more people and businesses keen to support their local **Community Bank**<sup>®</sup> branch; our ATM continues to provide valuable service to our community processing around 3,000 transactions each month.

We have contributed very generously to the community with over \$50,000 going back through grants, sponsorships and donations, with recipients being Kilcunda Bass Football & Netball Clubs Inc., Bass Valley Music Festival Serenade at Sunset, Corinella Bowling Club, JLM Pre School, Corinella & District Community Centre, Pioneer Bay Progress Association, Kernot-Grantville Fire Brigade, Bass Valley U3A and Bass Valley Primary School, with Kilcunda Bass Football Club winning a premiership flag in the 2011 season.

In conjunction with our Community Enterprise Foundation™ the appeal for the Maye family, achieved its goal in late October last year and the family received their new motor vehicle, allowing Bohe and Ryan to enjoy outings travelling altogether as a family, it certainly shows what a dedicated community we have, with amazing outcomes achieved.

Our staff have continued their weekly community engagement with assisting and preparing breakfast through the Bass Valley Primary School Breakfast program. Kellie, Emily and Kim do offer an excellent customer service experience, and have really developed strong commitments to our company and their **Community Bank**<sup>®</sup> branch.

Dean Thompson, our Business Banker, Mark Lilley and Neil Wyatt, Financial Planners have provided great support within their specialised fields.

I would like to convey my thanks to my team who are providing our customers with a superior level of service, and continue to strengthen our relationships with the community of Grantville and district. To the staff of the two branches within our company, Sam Remo and Cowes, thank you for your assistance and support and congratulations on your achievements in making this company the success that it is today.

Another year ahead, with another set of challenges. In following the prospectus we have a budget of \$5.1 million in growth to achieve for the 2012/13 financial year, with a very strong focus for business development, engagement and commitment.

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, please share our success stories and journey.



**Trudy Jamieson**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**<sup>®</sup> network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**<sup>®</sup> model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**<sup>®</sup> model has become so much more.

In the past financial year a further 20 **Community Bank**<sup>®</sup> branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**<sup>®</sup> sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**<sup>®</sup> network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**<sup>®</sup> branches – 295
- **Community Bank**<sup>®</sup> branch staff – more than 1,400
- **Community Bank**<sup>®</sup> branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**<sup>®</sup> network's returns to communities grow exponentially each year, with \$470,000 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.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**<sup>®</sup> model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has also seen much success.

## Bendigo and Adelaide Bank report (continued)

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Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**<sup>®</sup> partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**<sup>®</sup> margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**<sup>®</sup> partners.

We've been working with the **Community Bank**<sup>®</sup> network to take action to reduce this imbalance (which is in favour of the **Community Bank**<sup>®</sup> partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**<sup>®</sup> shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

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 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

## 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  
Board member since 08/11/2002

### **Michele Fulwell**

(resigned March 2012)  
Director  
Occupation - Self employed  
Board member since 27/10/2008

### **Joan Matthews**

Director  
Occupation - Caravan Park Proprietor  
Board member since 08/11/2002

### **Miranda Sage**

Director  
Occupation - Pharmacist  
Board member since 08/11/2002

### **Norma Stack-Robinson**

(resigned August 2011)  
Director  
Occupation - Retired  
Board member since 08/11/2002

### **Caroline Talbot**

Director  
Occupation - Business Manager  
Board member since 25/10/2004

### **Janice Rowlingson**

Director  
Occupation - Self employed  
Board member since 25/10/2004

### **Bruce Procter**

Director  
Occupation - Retired  
Board member since 24/10/2005

### **Craig Semple**

Director  
Occupation - Minister of Religion  
Board member since 29/10/2007

### **Kathy Jones**

Director  
Occupation - School Focus Youth Worker  
Board member since 26/10/2009

### **Patrick Russell**

Director  
Occupation - Maintenance Manager  
Board member since 26/10/2009

### **Dorene Blum**

Director  
Occupation - Home duties  
Board member since 24/10/2011

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

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

## Principal activities

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

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

# Directors' report (continued)

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## Operating results

The profit of the company for the financial year after provision for income tax was \$124,778 (2011: \$45,884).

## Financial position

The net assets of the company have increased by \$35,454 from June 30, 2011 to \$1,381,935 in 2012. This is largely due to improved operating performance of the company and is after dividend payments of \$89,324.

Dividends	Year ended 30 June 2012	
	Cents per share	\$
Dividends paid in the year	3	44,662
Dividends provided for during the year	3	44,662

## 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.

## Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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.

## Future developments

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

## Environmental issues

The company is not subject to any significant environmental regulation.

## Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## 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 2012 \$27,418 (2011: \$26,384) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2011: \$1,800) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

# Directors' report (continued)

## Remuneration report (continued)

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.

## Indemnifying Officers or Auditor

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.

## Directors' meetings

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

Director	Board meetings*	Audit committee meetings*
Terry Ashenden	14 (14)	3 (3)
Michele Fulwell (resigned March 2012)	4 (10)	1 (3)
Joan Matthews	7 (14)	N/A
Miranda Sage	8 (14)	N/A
Norma Stack-Robinson (resigned August 2011)	1 (1)	N/A
Caroline Talbot	12 (14)	N/A
Janice Rowlingson	9 (14)	3 (3)
Bruce Procter	12 (14)	N/A
Craig Semple	13 (14)	N/A
Kathy Jones	9 (14)	N/A
Patrick Russell	11 (14)	N/A
Dorene Blum (appointed 24 October 2011)	5 (8)	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.

# Directors' report (continued)

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## **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, P.Wayman and Trudy Jamieson;
- (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**

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

## **Auditor independence declaration**

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors at San Remo on 7 September 2012.



**Terry Ashenden**  
**Chairman**

# Auditor's independence declaration

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7<sup>th</sup> September 2012

The Directors  
San Remo District Financial Services Limited  
103A Marine Parade  
San Remo VIC 3925

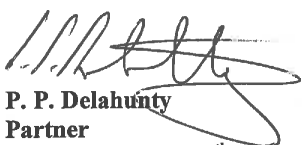
To the Directors of San Remo District Financial Services Limited

## **Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

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

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

A handwritten signature in black ink, appearing to read "P. P. Delahunty".

**P. P. Delahunty**  
Partner

Dated at Bendigo, 7<sup>th</sup> September 2012

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Richmond Sinnott & Delahunty  
ABN 60 616 244 309  
Liability limited by a scheme  
approved under Professional  
Standards Legislation

<b>Partners:</b>	
Warren Sinnott	Philip Delahunty
Cara Hall	Kathie Teasdale
Brett Andrews	David Richmond

# Financial statements

## Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	1,742,435	1,404,413
Employee benefits expense	3	(772,866)	(642,838)
Depreciation and amortisation expense	3	(110,395)	(101,753)
Finance costs	3	(3,626)	(2,384)
Other expenses		(460,611)	(445,257)
<b>Operating profit before charitable donations &amp; sponsorships</b>		<b>394,937</b>	<b>212,181</b>
Charitable donations and sponsorship		(202,304)	(116,884)
<b>Profit before income tax expense</b>		<b>192,633</b>	<b>95,297</b>
Income tax expense	4	67,855	49,413
<b>Net Profit for the year</b>		<b>124,778</b>	<b>45,884</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>124,778</b>	<b>45,884</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	0.09	0.03
- diluted for profit for the year	23	0.09	0.03

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	937,135	730,087
Receivables	7	143,203	93,915
Prepayments	8	18,901	22,389
Current tax assets	4	-	890
<b>Total current assets</b>		<b>1,099,239</b>	<b>847,281</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	466,048	499,930
Intangible assets	10	120,139	179,746
<b>Total non-current assets</b>		<b>586,187</b>	<b>679,676</b>
<b>Total assets</b>		<b>1,685,426</b>	<b>1,526,957</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	11	74,753	47,413
Loans and borrowings	12	17,304	14,084
Provisions	13	92,917	49,877
Current tax liabilities	4	29,569	-
<b>Total current liabilities</b>		<b>214,543</b>	<b>111,374</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4	48,522	34,798
Loans and borrowings	12	40,426	34,304
<b>Total non-current liabilities</b>		<b>88,948</b>	<b>69,102</b>
<b>Total liabilities</b>		<b>303,491</b>	<b>180,476</b>
<b>Net assets</b>		<b>1,381,935</b>	<b>1,346,481</b>
<b>Equity</b>			
Issued capital	14	1,415,926	1,415,926
Accumulated losses	15	(33,991)	(69,445)
<b>Total equity</b>		<b>1,381,935</b>	<b>1,346,481</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,833,295	1,475,759
Cash payments in the course of operations		(1,572,550)	(1,330,589)
Interest paid		(3,626)	(2,384)
Interest received		30,911	23,210
Income tax paid		(23,672)	(31,069)
<b>Net cash flows from operating activities</b>	<b>16b</b>	<b>264,358</b>	<b>134,927</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(28,661)	(209,883)
Proceeds from sale of property, plant & equipment		6,819	-
Purchase of intangible assets		(148)	(133,023)
<b>Net cash flows used in financing activities</b>		<b>(21,990)</b>	<b>(342,906)</b>
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) borrowings		9,342	16,641
Dividends paid		(44,662)	-
Member equity		-	337,241
Equity raising costs		-	-
<b>Net cash flows provided from / (used in) financing activities</b>		<b>(35,320)</b>	<b>353,882</b>
<b>Net increase in cash held</b>		<b>207,048</b>	<b>145,903</b>
Cash and cash equivalents at start of year		730,087	584,184
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<b>937,135</b>	<b>730,087</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 2012

	Note	2012 \$	2011 \$
<b>Issued capital</b>			
Balance at start of year		1,415,926	1,078,685
Issue of share capital		-	337,241
Share issue costs		-	-
<b>Balance at end of year</b>		<b>1,415,926</b>	<b>1,415,926</b>
<b>Accumulated losses</b>			
Balance at start of year		(69,445)	(115,329)
Profit after income tax expense		124,778	45,884
Dividends paid or proposed	22	(89,324)	-
<b>Balance at end of year</b>		<b>(33,991)</b>	<b>(69,445)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## Note 1. Summary of significant accounting policies

### (a) Basis of preparation

San Remo District Financial Services Limited ('the company') is domiciled in Australia. The financial financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 7 September 2012.

### (b) 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.

### (c) 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.

# Notes to the financial statements (continued)

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

### (c) Property, plant and equipment (continued)

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.

#### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

### (d) Impairment 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.

### (e) 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.

# Notes to the financial statements (continued)

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

### **(e) Goods and services tax (continued)**

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.

### **(f) 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.

### **(g) Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

### **(h) 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.

### **(i) Revenue**

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

### **(j) 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.

### **(k) New accounting standards for application in future periods**

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

# Notes to the financial statements (continued)

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

### **(l) Loans and borrowings**

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

### **(m) Provisions**

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

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

### **(n) 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.

### **(o) Comparative figures**

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

### **(p) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

#### Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

#### Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

#### Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

# Notes to the financial statements (continued)

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

### **(q) Financial instruments**

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

#### (i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

#### (ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

#### Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 2. Revenue</b>		
<b>Revenue from continuing activities</b>		
- services commissions	1,710,568	1,377,307
	<b>1,710,568</b>	<b>1,377,307</b>
<b>Other revenue</b>		
- interest received	31,845	27,106
- other revenue	22	-
	<b>31,867</b>	<b>27,106</b>
	<b>1,742,435</b>	<b>1,404,413</b>

## Note 3. Expenses

<b>Employee benefits expense</b>		
- wages and salaries	651,377	538,812
- superannuation costs	57,025	49,322
- workers' compensation costs	3,329	2,524
- other costs	61,135	52,180
	<b>772,866</b>	<b>642,838</b>
<b>Depreciation of non-current assets:</b>		
- plant and equipment	14,166	15,538
- property improvements	17,392	18,764
- motor vehicles	11,341	8,125
- furniture and fittings	2,008	1,280
- software	5,733	4,939
<b>Amortisation of non-current assets:</b>		
- intangible assets	59,755	53,107
	<b>110,395</b>	<b>101,753</b>
<b>Finance costs:</b>		
- Interest paid	3,626	2,384
Bad debts	516	508

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 4. Income tax expense</b>		
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%	57,790	28,589
Add/(deduct) tax effect of:		
- Non-deductible expenses	19,830	17,840
- Deductible expenses	(9,765)	(9,093)
- Under provision of tax in prior year	-	12,077
<b>Current income tax expense</b>	<b>67,855</b>	<b>49,413</b>
<b>Income tax expense</b>	<b>67,855</b>	<b>49,413</b>
<b>Current tax asset</b>		
<b>Current tax refund</b>	-	<b>890</b>
<b>Tax liabilities</b>		
Current tax payable	29,569	-
Deferred tax payable	48,522	34,798
	<b>78,091</b>	<b>34,798</b>

## Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report of the company	4,527	3,900
- Share registry costs	4,889	5,532
- Prospectus - Grantville branch	-	3,000
	<b>9,416</b>	<b>12,432</b>

## Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>937,135</b>	<b>730,087</b>
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## Note 7. Receivables

<b>Trade debtors</b>	<b>143,203</b>	<b>93,915</b>
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## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 8. Prepayments</b>		
Insurance	6,461	5,969
Staff training	12,440	16,420
	<b>18,901</b>	<b>22,389</b>

## Note 9. Property, plant and equipment

### Furniture and fittings

At cost	15,142	15,142
Less accumulated depreciation	(8,123)	(6,115)
	<b>7,019</b>	<b>9,027</b>

### Motor vehicles

At cost	74,432	76,697
Less accumulated depreciation	(15,890)	(22,223)
	<b>58,542</b>	<b>54,474</b>

### Computer software

At cost	18,754	18,754
Less accumulated depreciation	(14,318)	(8,585)
	<b>4,436</b>	<b>10,169</b>

### Plant and equipment

At cost	153,779	153,779
Less accumulated depreciation	(76,596)	(62,430)
	<b>77,183</b>	<b>91,349</b>

### Leasehold improvements

At cost	422,530	421,181
Less accumulated depreciation	(103,662)	(86,270)
	<b>318,868</b>	<b>334,911</b>

<b>Total written down amount</b>	<b>466,048</b>	<b>499,930</b>
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## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Furniture and fittings</b>		
Carrying amount at beginning of year	9,027	1,188
Additions	-	9,119
Disposals	-	-
Depreciation expense	(2,008)	(1,280)
<b>Carrying amount at end of year</b>	<b>7,019</b>	<b>9,027</b>
<b>Motor vehicles</b>		
Carrying amount at beginning of year	54,474	38,551
Additions	27,312	24,048
Disposals	(11,903)	-
Depreciation expense	(11,341)	(8,125)
<b>Carrying amount at end of year</b>	<b>58,542</b>	<b>54,474</b>
<b>Computer software</b>		
Carrying amount at beginning of year	10,169	5,731
Additions	-	9,377
Disposals	-	-
Depreciation expense	(5,733)	(4,939)
<b>Carrying amount at end of year</b>	<b>4,436</b>	<b>10,169</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	91,349	65,436
Additions	-	41,451
Disposals	-	-
Depreciation expense	(14,166)	(15,538)
<b>Carrying amount at end of year</b>	<b>77,183</b>	<b>91,349</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning of year	334,911	227,787
Additions	-	125,888
Disposals	-	-
Depreciation expense	(17,392)	(18,764)
<b>Carrying amount at end of year</b>	<b>317,519</b>	<b>334,911</b>

## Notes to the financial statements (continued)

	2012	2011
	\$	\$
<b>Note 10. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	123,696	123,696
Less accumulated amortisation	(74,303)	(49,564)
	<b>49,393</b>	<b>74,132</b>
<b>Preliminary expenses</b>		
At cost	175,101	175,101
Less accumulated amortisation	(104,887)	(69,871)
	<b>70,214</b>	<b>105,230</b>
<b>Borrowing costs</b>		
At cost	734	834
Less accumulated amortisation	(202)	(450)
	<b>532</b>	<b>384</b>
	<b>120,139</b>	<b>179,746</b>

## Note 11. Payables

Trade creditors	4,498	3,351
Other creditors and accruals	70,255	44,062
	<b>74,753</b>	<b>47,413</b>

## Note 12. Loans and borrowings

### Current

<b>Chattel mortgage</b>	<b>17,304</b>	<b>14,084</b>
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### Non - current

<b>Chattel mortgage</b>	<b>40,426</b>	<b>34,304</b>
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## Note 13. Provisions

Dividend payable	44,662	-
Employee benefits	48,255	49,877
	<b>92,917</b>	<b>49,877</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 13. Provisions (continued)		
<b>Movement in employee benefits</b>		
Opening balance	49,877	41,001
Additional provisions recognised	-	41,447
Amounts utilised during the year	(1,622)	(32,571)
<b>Closing balance</b>	<b>48,255</b>	<b>49,877</b>

### Note 14. Share capital

650,011 Ordinary Shares fully paid	650,011	650,011
65,000 Bonus Shares issued August 2008 at rate of 1 for 10 held	-	-
436,498 Ordinary Shares fully paid issued for Cowes Branch	436,498	436,498
337,230 Ordinary Shares fully paid issued for Grantville Branch	337,230	337,230
Less: Equity raising costs	(7,813)	(7,813)
	<b>1,415,926</b>	<b>1,415,926</b>
<b>Movement in ordinary shares</b>		
Balance at beginning of year	1,415,926	1,078,685
Equity raising costs	-	-
Initial shares not previously recognised	-	11
Issue of share capital	-	337,230
<b>Balance at end of year</b>	<b>1,415,926</b>	<b>1,415,926</b>

### Note 15. Accumulated losses

Balance at the beginning of the financial year	(69,445)	(115,329)
Profit after income tax	124,778	45,884
Dividends paid or proposed	(89,324)	-
<b>Balance at the end of the financial year</b>	<b>(33,991)</b>	<b>(69,445)</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 16. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
<b>Cash assets</b>	<b>937,135</b>	<b>730,087</b>
<b>(b) Reconciliation of profit after tax to net cash provided from operating activities</b>		
Profit after income tax	124,778	45,884
Non cash items		
- Depreciation	50,641	48,646
- Net (profit)/loss from sale of plant & equipment	5,084	
- Amortisation	59,755	53,107
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(45,800)	(24,054)
- Increase (decrease) in payables	27,341	(15,875)
- Increase (decrease) in provisions	(1,622)	8,876
- Increase (decrease) in income tax payable	30,459	(890)
- Increase (decrease) in deferred tax liabilities	13,724	19,233
- (Increase) decrease in deferred income tax assets	-	-
<b>Net cash flows from operating activities</b>	<b>264,360</b>	<b>134,927</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 (resigned March 2012)  
Joan Matthews  
Miranda Sage  
Norma Stack-Robinson (resigned August 2011)  
Caroline Talbot  
Janice Rowlingson  
Bruce Procter  
Craig Semple  
Kathy Jones  
Patrick Russell  
Dorene Blum

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 2012 \$27,418 (2011: \$26,384) was paid in relation to this lease.

## Notes to the financial statements (continued)

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

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2011: \$1,800) 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 Director's fees have been paid as the positions are held on a voluntary basis.

<b>Directors' shareholdings</b>	<b>2012</b>	<b>2011</b>
Terry Ashenden	32,751	42,751
Michele Fulwell (resigned March 2012)	2,000	2,000
Joan Matthews	17,801	17,801
Miranda Sage	7,500	7,500
Norma Stack-Robinson (resigned August 2011)	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	2,000
Dorene Blum	600	600

Terry Ashenden sold 10,000 shares in June 2012, there were no other movements in Director shareholdings during the year.

### Note 18. Events after reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other 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.

# Notes to the financial statements (continued)

## Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being San Remo and District, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

## 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 National Stock Exchange.

The registered office and principal place of business is:

103A Marine Parade,

San Remo VIC 3925

	2012	2011
	\$	\$

## Note 22. Dividends paid or provided for on ordinary shares

### a) Dividends paid during the year

<b>Unfranked dividends - 3 cents per share (2011: 2.5 cents per share)</b>	<b>44,662</b>	<b>34,545</b>
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### b) Dividends provided for during the year

<b>Franked dividends - 3 cents per share (2011: nil)</b>	<b>44,662</b>	<b>-</b>
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### (b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year	54,740	31,069
- Franking debits that will arise as a result of the franked dividend proposed at the end of the financial year	(19,141)	-
- Franking debits that will arise from the refund of income tax as at the end of the financial year	-	(890)
	<b>35,599</b>	<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).

## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 23. Earnings per share (continued)		
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>124,778</b>	<b>45,884</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>1,415,926</b>	<b>1,320,124</b>

## Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
<b>Financial assets</b>			
Cash & cash equivalents	6	937,135	730,087
Receivables	7	143,203	93,915
<b>Total financial assets</b>		<b>1,080,338</b>	<b>824,002</b>
<b>Financial liabilities</b>			
Payables	11	74,753	47,413
<b>Total financial liabilities</b>		<b>74,753</b>	<b>47,413</b>

### Financial risk management policies

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.

### Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

#### **(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.



## Notes to the financial statements (continued)

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

#### (a) Credit risk (continued)

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

	Carrying amount	
	2012 \$	2011 \$
Cash and cash equivalents	937,135	730,087
Receivables	143,203	93,915
	<b>1,080,338</b>	<b>824,002</b>

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

None of the assets of the company are past due (2011: 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.

#### (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.

In addition the company has established an overdraft facility of \$700,000 with Bendigo and Adelaide Bank.

#### Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2012</b>				
<b>Financial liabilities due for payment</b>				
Payables	74,753	74,753	-	-
Loans and borrowings	57,730	17,304	40,426	-
<b>Total expected outflows</b>	<b>132,483</b>	<b>92,057</b>	<b>40,426</b>	<b>-</b>
<b>Financial assets - cashflow realisable</b>				
Cash & cash equivalents	937,135	937,135	-	-
Receivables	143,203	143,203	-	-
<b>Total anticipated inflows</b>	<b>1,080,338</b>	<b>1,080,338</b>	<b>-</b>	<b>-</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>1,212,821</b>	<b>1,172,395</b>	<b>40,426</b>	<b>-</b>

## Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2011</b>				
<b>Financial liabilities due for payment</b>				
Payables	47,413	47,413	-	-
Loans and borrowings	48,388	14,084	34,304	-
<b>Total expected outflows</b>	<b>95,801</b>	<b>61,497</b>	<b>34,304</b>	<b>-</b>
<b>Financial assets - cashflow realisable</b>				
Cash & cash equivalents	730,087	730,087	-	-
Receivables	93,915	93,915	-	-
<b>Total anticipated inflows</b>	<b>824,002</b>	<b>824,002</b>	<b>-</b>	<b>-</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>919,803</b>	<b>885,499</b>	<b>34,304</b>	<b>-</b>

#### Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

### (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 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	
	2012 \$	2011 \$
<b>Fixed rate instruments</b>		
Financial assets	557,796	373,779
Financial liabilities	(57,731)	(48,389)
	<b>500,065</b>	<b>325,390</b>
<b>Floating rate instruments</b>		
Financial assets	379,339	356,308
Financial liabilities	-	-
	<b>379,339</b>	<b>356,308</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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

### Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have unrecognised financial instruments at year end.

### 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 2012 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 Community Financial Services Limited, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 11 to 32 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**Terry Ashenden**  
**Chairman**

Signed at San Remo on 7 September 2012.

# Independent audit report

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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

## Report on the Financial Report

We have audited the accompanying financial report of San Remo District Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 company'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.

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Richmond Sinnott & Delahunty  
ABN 60 616 244 309

Liability limited by a scheme  
approved under Professional  
Standards Legislation

**Partners:**

Warren Sinnott	Philip Delahunty
Cara Hall	Kathie Teasdale
Brett Andrews	David Richmond

# Independent audit report (continued)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of San Remo District Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

  
**P. P. Delahunty**  
Partner

Dated at Bendigo, 7<sup>th</sup> September 2012











San Remo District **Community Bank**<sup>®</sup> Branch  
 103A Marine Parade, San Remo VIC 3925  
 Phone: (03) 5678 5833  
[www.bendigobank.com.au/san\\_remo](http://www.bendigobank.com.au/san_remo)

Cowes **Community Bank**<sup>®</sup> Branch  
 Shop 1, 209-213 Settlement Road, Cowes VIC 3922  
 Phone: (03) 5952 3383  
[www.bendigobank.com.au/cowes](http://www.bendigobank.com.au/cowes)

Grantville & District **Community Bank**<sup>®</sup> Branch  
 Shop 4, 1503 Bass Highway, Grantville VIC 3984  
 Phone: (03) 5678 8773  
[www.bendigobank.com.au/grantville](http://www.bendigobank.com.au/grantville)

Franchisee:  
 San Remo District Financial Services Limited  
 PO Box 101, San Remo VIC 3925  
 Phone: (03) 5956 7658  
 ABN: 20 102 770 150  
[www.bendigobank.com.au](http://www.bendigobank.com.au)

