


Annual Report 2016

San Remo District Financial Services Limited

ABN 20 102 770 150

San Remo District **Community Bank**® Branch

Cowes **Community Bank**® Branch

Grantville & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

Our Annual General Meeting will be held at the Newhaven Yacht Club in Seaview Street, Newhaven on Monday 24 October at 7.30pm. A light supper will be served after the meeting.

Our three branches have returned $2.1 million in sponsorships, grants and scholarships, plus $410,000 in dividends.

It was most pleasing to see two of our initial scholarship students from 2013, attain their degrees in 2015. We have provided 13 university scholarships for a total of $105,000 over these four years.

Our shareholders have had returns as displayed below which total approximately $410,000.

Financial year	Cents per share	Total distribution
2007	.02 unfranked	$13,000
2009	.05 unfranked	$35,750
2010	.03 unfranked	$34,545
2011	.03 unfranked	$34,545
2012	.03 fully franked	$44,662
2013	.06 fully franked	$89,324
2014	.06 fully franked	$93,799
2015	.04 fully franked	$63,896

It is expected that a fully franked dividend of 0.06c per share will be paid in the near future (2016).

Our largest single sponsorship was of $50,000 to Phillip Island Homes for the Aged Assoc. (Melaleuca House). We distributed 71 sponsorships for the year, covering education, sport, emergency services, art, defibrillator placement and many community events.

Our total footings grew in the year from $243 million to $254 million which was very pleasing considering the overall high rate of 'debt repayment' which has occurred throughout the banking industry. As the growth occurred in our investment side of our footings it has meant a lower earn for the year.

Obviously our Directors and staff are always promoting our point of difference from a corporate bank (we put approximately 80% of our profits back to our local community) and I point out that you, as a shareholder, could help by doing your banking with one of our three branches. If you are already doing this, explain to others what the difference is and ask them to seek further details from our staff or one of our Directors. If you are a member of a club, check if they bank with us. It is beneficial to the whole community to do so.

This financial year has seen a profit from all three branches, Grantville our youngest member, actually contributed $60,000 toward our total sponsorship for the year. A great effort and big thanks to the staff and customers, including local shareholders for contributing by using our/your branch.

I wish to thank our Business Development Manager, Peter Wayman, Branch Manager, Michael Scott and all our hard working staff members, across the three branches on an excellent year, keep up the great work.

To my fellow Directors, a big thank you for your dedication and numerous hours, freely given, without which we would not be in such a strong position.

I am grateful to our franchise partners, Bendigo and Adelaide Bank, their support and guidance have been appreciated.

Thank you to all our shareholders who shared the foresight many years ago to lay the foundations for our success.

Terry Ashenden
Chairman

San Remo Manager's report

For year ending 30 June 2016

It is with pleasure that I again present the following results for the financial year ending June 2016 on behalf of the San Remo District **Community Bank**® Branch.

The 2015/16 financial year was a very challenging year as we noticed interest rates reducing to record lows and customers continuing to reduce household debt.

Overall we only achieved business growth of just under $2 million, which whilst it was still good to grow, we did fall short of our overall budget.

Whilst this was disappointing, we were still able to assist many community groups by way of sponsorships, not to mention again helping young school leavers achieve their dreams of attending university.

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 many major sponsorships that we have been involved in this year. San Remo Channel Challenge, San Remo Bowls Club, Kilcunda Bass & Dalyston Football Clubs to name a few, were some of the wonderful partnerships that we embarked on this year.

Our goal moving forward is to again engage with these groups to achieve a win/win situations for all involved.

Thank you again to Chairman Terry and the Board for your tireless voluntary work throughout the year, and also to Sophia (now Anthony) and the staff at our Regional Office for their continued support.

Congratulations also to the teams at Cowes and Grantville for your fantastic results over the past year.

We welcomed Prue Jolly to our group earlier this year and she has fitted in to the **Community Bank**® model in an excellent manner. To the other girls, Tanya, Di, Marcia, and our two relief girls Steph and Chabrelle, thank you again for all of your support and effort throughout the year. The 2016/17 financial year has started off in a positive manner and we are all committed to continuing this for the remainder of the financial year.

Michael Scott
Branch Manager
San Remo District Community Bank® Branch

Cowes Manager's report

For year ending 30 June 2016

We are reasonably pleased with the results for the 2015/16 financial year at Cowes **Community Bank**® Branch, although lower growth than expected due to the challenging market we are currently in.

The branch's figures have been fantastic in deposits and a bit down on lending in regards to growth in a tough lending environment. The market is very competitive with interest rates being at an all-time low between our competitors.

The branch grew by $6.17 million which is pleasing that we have continued to go forward and grow the book which of course, benefits our wonderful community.

Figures in lending and deposits are as follows:

- Increase in footings in regards to lending for the financial year were $1.6 million, against a budget of $4.5 million which was short in a challenging environment. We found that customers are selling their properties at a high rate which in turn pays back loans and makes it hard to keep the book increasing.
- In deposits we increased the book over the financial year by $4.5 million against a budget of $3 million which was a great effort by all the staff at the branch. Term Deposit rates are going to be very competitive going forward as well while the bigger banks try and recoup funds to lend out to their customers.

We have contributed very generously to the community with over $81,000 going back to the local community in the 2015/16 financial year. We have continued to support events such as the Cowes Classic, Carols by The Bay, Phillip Island Golf Club and many more events to help make our community a better place to be. On top of this we have continued to be major sponsor of the Phillip Island Football and Netball club during the 2015/16 financial year.

There will be another big year ahead for us in the 2016/17 financial year. We will continue to chase new business by using our new and existing referral partners that have come on board with us. This will help San Remo District Financial Services Limited grow as a business and become even stronger than it currently is.

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

Also I would like to thank the staff at the San Remo **Community Bank**® Branch and Grantville & District **Community Bank**® Branch for their contribution to the company. It's been a real team effort by everyone involved and I look forward to us working close together again in the 2016/17 financial year.

I urge shareholders to come along to our Annual General Meeting this year as the numbers have been a bit low previously and I ask you guys to 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, Robyn Thom, Robyn George Carlie Jordan, Kellie Lunn, Stephanie McMillian and Roz Morris for all their hard work and efforts throughout the year. The girls have continued to provide excellent customer service and are always willing to learn new things which in turn benefits our customers and the growth of the business.

Peter Wayman
Business Development Manager
Cowes Community Bank® Branch
San Remo & District Community Bank® Branch
Grantville & District Community Bank® Branch

Grantville Manager's report

For year ending 30 June 2016

I am pleased to present my second report for Grantville & District **Community Bank**® Branch and I have really enjoyed my first full financial year with the wonderful team we have at Grantville.

After a slow start to the financial year we managed to get some momentum in the second half of the year and we built the book by a further $2.3 million.

Figures in lending and deposits are as follows:

- Total growth in lending during the financial year stood at around $606,000 against a budget of $2 million. We expect to make up the difference during the 2016/17 financial year with some great results already coming through.
- In deposits we increased the book by a further $1.7 million against a budget of $1.9 million so very close to achieving budget. Again as per the lending we have already made up for this in the 2016/17 financial year which is a great credit to the team.

I think it is also important to note that Grantville achieved strong results in their insurance and wealth sales which was well up in the top branches of the Gippsland region. This increased the income to the extent that we have Grantville now into profit for the first time since it opened.

We have contributed $60,000 in sponsorships to the community which is nearly double that of last year which was a fantastic outcome for Grantville and the surrounding area. The staff once again got heavily involved with the community which was great as we could see some real quality business coming through.

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

Also I would like to thank the staff at the San Remo District **Community Bank**® Branch and Cowes **Community Bank**® Branch for all the contribution to the company. It's been a real team effort by everyone involved and look forward to us working closely together again in the 2016/17 financial year.

Finally I would like to say a really big thank you to all my staff here at Grantville, Jo Smith, Kim Grant and Emily Slade for their hard work and efforts throughout the year.

Peter Wayman
Business Development Manager
Cowes Community Bank® Branch
San Remo District Community Bank® Branch
Grantville & District Community Bank® Branch

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of San Remo District Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Terry Ashenden - Director & Chairperson

Experience and expertise	Production and planning manager at Lysaght's Hastings for 4 years. Turf accountant and small business owner for 25 years.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Audit/Governance committee, Marketing & Development committee, Public Relations/Media committee, Human Resources committee and Agenda planning

Joan Matthews - Director

Experience and expertise	Diploma of Accounting, National Sales & Marketing Manager for Park Units, small business operator for 25 years.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Sponsorship committee

Miranda Sage PH. C. - Director & Vice Chairperson

Experience and expertise	Former councillor and mayor of Bass Coast Shire, Chief pharmacist at Wonthaggi Hospital.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Audit/Governance committee, Marketing & Development committee and Public Relations/Media committee

Caroline Talbot - Director

Experience and expertise	Cert III Business Administration, Justice of the Peace. 25 years school office manager, member of Community Advisory Group, Wonthaggi Regional Health.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Minute Secretary, Sponsorship Committee & Agenda planning

Janice Rowlingson - Director & Treasurer

Experience and expertise	Small business owner / operator for 5 years. 13 years experience working with a CPA firm.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Audit/Governance committee and Human Resources committee

Directors' report (continued)

Directors (continued)

Bruce Procter - Director

Experience and expertise	Certificate Course in Post Office Administration, past Director of Warley Hospital and past Director of Bass Coast Regional Health.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Marketing & Development committee

Craig Semple B Theol - Director

Experience and expertise	Previous Registered Nurse and 2-3 years Board of East Bentleigh Community Health.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Sponsorship Committee

Patrick Russell - Director

Experience and expertise	Cert IV Training Diploma Management.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Marketing & Development committee

Peter Paul B.A., B. Ed., B Tech., T.P.T.C - Director

Experience and expertise	30 years school principal, former councillor and mayor of Bass Coast Shire.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	None

Ray McNamara B. Eng., Masters Eng. Science - Director

Experience and expertise	Member IEA and Cert Prof Engineer.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Audit/Governance committee and Public Relations/Media committee

Anthony Zoanetti - Director - Resigned November 2015

Experience and expertise	Small business owner / operator.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	None

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

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Terry Ashenden	11	11	2	2
Joan Matthews	11	6	N/A	N/A
Miranda Sage	11	6	2	1
Caroline Talbot	11	10	2	2
Janice Rowlingson	11	5	2	2
Bruce Procter	11	11	2	2
Craig Semple	11	11	2	1
Patrick Russell	11	8	N/A	N/A
Peter Paul	11	10	2	1
Ray McNamara	11	10	2	1
Anthony Zoanetti (resigned Nov 2015)	4	3	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Leonie Gardiner has been the Company Secretary of San Remo District Community Financial Services Limited since 2011.

Leonie has worked in office administration/management for more than 30 years.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $90,095 (2015 profit: $65,030), which is a 38% increase as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 6 cents per share was declared and provided for the year ended 30 June 2016.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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.

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.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of 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 3 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 the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

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.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

	Balance at 30 June 2015	**Net change in holdings**	**Balance at 30 June 2016**
Terry Ashenden	22,751	(14,200)	8,551
Joan Matthews	17,801	-	17,801
Miranda Sage	7,500	-	7,500
Caroline Talbot	3,200	-	3,200
Janice Rowlingson	9,900	-	9,900
Bruce Procter	1,000	-	1,000
Craig Semple	8,000	-	8,000
Patrick Russell	2,000	-	2,000
Peter Paul	11,650	-	11,650
Ray McNamara	11,100	-	11,100
Anthony Zoanetti (resigned Nov 2015)	500	-	**500**

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Newhaven on 12 September 2016.

Terence S Ashenden
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of San Remo District Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 12 September 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	1,991,352	2,041,509
Expenses			
Employee benefits expense	3	(1,025,210)	(989,474)
Depreciation and amortisation	3	(92,805)	(133,774)
Administration and general costs		(215,491)	(240,700)
Finance costs	3	(13,894)	(19,808)
Bad and doubtful debts expense	3	(931)	(1,154)
Occupancy expenses		(128,091)	(126,731)
IT costs		(88,668)	(89,599)
Other expenses		(46,227)	(3,314)
Operating profit before charitable donations and sponsorships		**380,035**	**436,955**
Charitable donations and sponsorships		(250,937)	(336,232)
Profit before income tax		**129,098**	**100,723**
Income tax expense	4	39,003	35,694
Profit for the year		**90,095**	**65,029**
Other comprehensive income		-	-
Total comprehensive income for the year		**90,095**	**65,029**
Profit attributable to members of the company		90,095	65,029
Total comprehensive income attributable to members of the company		**90,095**	**65,029**
- basic earnings per share	17	6.05	4.37

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	302,992	731,155
Trade and other receivables	6	133,623	1,063
Financial assets	7	170,171	165,667
Current tax asset	4	-	25,550
Other assets	8	10,486	12,251
Total current assets		**617,272**	**935,686**
Non-current assets			
Property, plant and equipment	9	1,116,389	1,180,930
Intangible assets	10	172,842	6,647
Deferred tax assets	4	6,279	1,383
Total non-current assets		**1,295,510**	**1,188,960**
Total assets		**1,912,782**	**2,124,646**
Liabilities			
Current liabilities			
Trade and other payables	11	204,512	231,741
Current tax liability	4	24,368	-
Borrowings	12	56,376	50,448
Provisions	13	158,140	119,627
Total current liabilities		**443,396**	**401,816**
Non-current liabilities			
Borrowings	12	39,920	294,135
Total non-current liabilities		**39,920**	**294,135**
Total liabilities		**483,316**	**695,951**
Net assets		**1,429,466**	**1,428,695**
Equity			
Issued capital	14	1,423,739	1,423,739
Retained earnings	15	5,727	4,956
Total equity		**1,429,466**	**1,428,695**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		1,423,739	(523)	1,423,216
Profit for the year		-	65,029	65,029
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**65,029**	**65,029**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(59,550)	(59,550)
Balance at 30 June 2015		**1,423,739**	**4,956**	**1,428,695**
Balance at 1 July 2015		**1,423,739**	**4,956**	**1,428,695**
Profit for the year		-	90,095	90,095
Other comprehensive income for the year		-	-	-
total comprehensive income for the year		**-**	**90,095**	**90,095**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(89,324)	(89,324)
Balance at 30 June 2016		**1,423,739**	**5,727**	**1,429,466**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,049,295	2,563,228
Payments to suppliers and employees		(2,083,665)	(2,032,632)
Other income		-	4,194
Interest paid		(13,894)	(19,807)
Interest received		7,790	16,368
Income tax paid		6,019	(124,839)
Net cash provided by / (used in) operating activities	**16b**	**(34,455)**	**406,512**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		10,454	-
Proceeds from sale of investments		-	(2,272)
Proceeds from purchase of investments		(4,504)	-
Purchase of property, plant and equipment		(3,595)	41,351
Purchase of intangible assets		(88,117)	-
Net cash flows from / (used in) investing activities		**(85,762)**	**39,079**
Cash flows from financing activities			
Proceeds from borrowings		-	32,250
Repayment of Loans		(231,899)	(38,282)
Repayment of Leases		(16,388)	-
Dividends paid		(59,659)	(149,028)
Net cash provided by / (used in) financing activities		**(307,946)**	**(155,060)**
Net increase / (decrease) in cash held		**(428,163)**	**290,531**
Cash and cash equivalents at beginning of financial year		731,155	606,291
Cash and cash equivalents at end of financial year	**16a**	**302,992**	**731,155**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of San Remo District Financial Services Limited.

San Remo District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 12 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at San Remo, Cowes and Grantville.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipmen (continued)

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	2.5%	SL
Leasehold improvements	2.5-13%	SL
Plant and equipment	10-33%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits (continued)

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Establishment costs and franchise fees 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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Note 1. Summary of significant accounting policies (continued)

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied."

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020

(w) 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:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges 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.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating 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.

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	1,982,933	2,023,076
	1,982,933	**2,023,076**
Other revenue		
- interest received	7,742	14,239
- other revenue	677	4,194
	8,419	**18,433**
Total revenue	**1,991,352**	**2,041,509**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	875,273	847,671
- superannuation costs	82,446	77,987
- other costs	67,491	63,816
	1,025,210	**989,474**
Depreciation and amortisation		
Depreciation		
- plant and equipment	25,611	29,197
- leasehold improvements	16,500	17,019
- buildings	13,546	15,192
	55,657	**61,408**
Amortisation		
- franchise fees	33,240	10,958
- establishment costs	3,908	15,636
	37,148	**26,594**
Total depreciation and amortisation	**92,805**	**133,774**
Finance costs		
- Interest paid	13,894	19,808
Bad and doubtful debts expenses	931	1,154
Loss on disposal of property, plant and equipment	2,025	3,475

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,933	5,700
- Share registry services	5,473	4,808
	10,406	**10,508**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense	36,793	42,795
Deferred tax expense relating to the origination and reversal of temporary differences	2,922	(6,896)
Impact of change in tax rate on timing differences	(2,299)	-
Under / (over) provision of prior years	1,587	(205)
	39,003	**35,694**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	36,793	42,795
Add tax effect of:		
- Under / (over) provision of prior years	1,587	(205)
- Impact of change in tax rate on timing differences	(2,299)	-
- Deductible expenses	(9,332)	(43,081)
- Non-deductible expenses	12,254	36,185
Income tax attributable to the entity	**39,003**	**35,694**
The applicable weighted average effective tax rate is	30.21%	35.44%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(25,550)	53,950
Income tax paid	6,019	(122,090)
Current tax	44,611	42,795
Impact of change in tax rate on timing differences	(2,299)	-
Under / (over) provision prior years	1,587	(205)
	24,368	**(25,550)**

	2016 $	2015 $

Note 4. Income tax (continued)

d. Deferred tax asset

	2016 $	2015 $
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,624	-
Employee provisions	18,404	16,722
	20,028	**16,722**
Deferred tax liabilities balance comprises:		
Prepayments	1,803	-
Property, plant & Equipment	11,946	15,339
	13,749	**15,339**
Net deferred tax asset	**6,279**	**1,383**

e. Deferred income tax expense included in income tax expense comprises:

	2016 $	2015 $
Decrease / (increase) in deferred tax assets	5,166	(3,631)
(Decrease) / increase in deferred tax liabilities	(865)	(3,265)
Impact of change in tax rates	331	-
Under / (over) provision prior years	(1,710)	-
	2,922	**(6,896)**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	302,992	731,155
	302,992	**731,155**

Note 6. Trade and other receivables

Current

	2016 $	2015 $
Trade receivables	132,608	-
Other receivables	1,015	1,063
	133,623	**1,063**

Note 6. Trade and other receivables (continued)

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
	Gross amount $	**Past due and impaired $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Not past due $**
2016						
Trade receivables	132,608	-	-	-	228	132,380
Other receivables	1,015	-	-	-	-	1,015
Total	**133,623**	**-**	**-**	**-**	**228**	**133,395**
2015						
Trade receivables	-	-	-	-	-	-
Other receivables	1,063	-	-	-	-	1,063
Total	**1,063**	**-**	**-**	**-**	**-**	**1,063**

	2016 $	**2015 $**

Note 7. Financial assets

Held to maturity financial assets		
Term deposits	170,171	165,667
	170,171	**165,667**

Note 8. Other assets

Security bond	500	500
Borrowing Costs	3,660	4,995
Prepaid Expenses	6,326	6,756
	10,486	**12,251**

	2016 $	2015 $

Note 9. Property, plant and equipment

	2016 $	2015 $
Land and Buildings		
At cost	816,513	816,513
Less accumulated depreciation	(33,977)	(20,431)
	782,536	**796,082**
Leasehold improvements		
At cost	422,530	422,530
Less accumulated depreciation	(171,995)	(155,495)
	250,535	**267,035**
Plant and equipment		
At cost	269,509	293,225
Less accumulated depreciation	(186,191)	(175,412)
	83,318	**117,813**
Total property, plant and equipment	**1,116,389**	**1,180,930**
Movements in carrying amounts		
Land and Buildings		
Balance at the beginning of the reporting period	796,082	811,274
Depreciation expense	(13,546)	(15,192)
Balance at the end of the reporting period	**782,536**	**796,082**
Leasehold improvements		
Balance at the beginning of the reporting period	267,035	284,054
Depreciation expense	(16,500)	(17,019)
Balance at the end of the reporting period	**250,535**	**267,035**
Plant and equipment		
Balance at the beginning of the reporting period	117,813	111,406
Additions	3,995	41,352
Disposals	(12,879)	(23,072)
Depreciation expense	(25,611)	(11,873)
Balance at the end of the reporting period	**83,318**	**117,813**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Total property, plant and equipment		
Balance at the beginning of the reporting period	1,180,930	1,206,734
Additions	3,995	41,352
Disposals	(12,879)	(23,072)
Depreciation expense	(55,657)	(44,084)
Balance at the end of the reporting period	**1,116,389**	**1,180,930**

Note 10. Intangible assets

Franchise fee		
At cost	203,343	54,787
Less accumulated amortisation	(30,501)	(52,048)
	172,842	**2,739**
Preliminary expenses		
At cost	78,179	78,179
Less accumulated amortisation	(78,179)	(74,271)
	-	**3,908**
Total intangible assets	**172,842**	**6,647**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	2,739	13,697
Additions	203,343	-
Amortisation expense	(33,240)	(10,958)
Balance at the end of the reporting period	**172,842**	**2,739**
Preliminary expenses		
Balance at the beginning of the reporting period	3,908	19,544
Amortisation expense	(3,908)	(15,636)
Balance at the end of the reporting period	**-**	**3,908**
Total intangible assets		
Balance at the beginning of the reporting period	6,647	33,241
Additions	203,343	-
Amortisation expense	(37,148)	(26,594)
Balance at the end of the reporting period	**172,842**	**6,647**

	2016 $	2015 $

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	7,224	10,210
Other creditors and accruals	197,288	221,531
	204,512	**231,741**

The average credit period on trade and other payables is one month.

Note 12. Borrowings

Current		
Secured liabilities		
Secured mortgage facility	40,800	31,680
Chattel mortgages	15,576	18,768
	56,376	**50,448**
Non-Current		
Secured liabilities		
Secured mortgage facility	21,578	262,597
Chattel mortgages	18,342	31,538
	39,920	**294,135**

(a) Bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 4.62%. This loan has been created to fund the purchase of the freehold property from which the Cowes branch is operated and is secured by this property.

(b) Chattel mortgages

Chattel mortgages are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	2016 $	2015 $

Note 13. Provisions

Current		
Provision for Dividend	93,561	63,896
Employee benefits	64,579	55,731
	158,140	**119,627**
Total provisions	**158,140**	**119,627**

Notes to the financial statements (continued)

	2016 $	2015 $
Note 14. Share capital		
650,011 Ordinary shares fully paid of $1 each	650,011	650,011
436,498 Ordinary shares fully paid of $1 each issued for Cowes branch	436,498	436,498
337,230 Ordinary shares fully paid of $1 each issued for Grantville branch	337,230	337,230
65,000 1:10 Bonus shares issued for no consideration		
Less: Equity raising costs	-	-
	1,423,739	**1,423,739**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,423,739	1,423,739
Shares issued during the year	-	-
At the end of the reporting period	**1,423,739**	**1,423,739**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 company 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2016 $	2015 $

Note 15. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	4,956	(524)
Profit after income tax	90,095	65,030
Dividends paid	(89,324)	(59,550)
Balance at the end of the reporting period	**5,727**	**4,956**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	302,992	731,155
As per the Statement of Cash Flow	**302,992**	**731,155**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	90,095	65,030
Non-cash flows in profit		
- Depreciation	55,657	61,408
- Amortisation	37,150	26,594
- Bad debts	-	1,154
- Net loss on disposal of property, plant & equipment	2,025	3,475
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(132,560)	371,865
- (increase) / decrease in prepayments and other assets	1,765	-
- (Increase) / decrease in deferred tax asset	(4,896)	5,323
- Increase / (decrease) in trade and other payables	(142,457)	88,559
- Increase / (decrease) in current tax liability	49,918	(94,469)
- Increase / (decrease) in provisions	8,848	(122,426)
Net cash flows from / (used in) operating activities	**(34,455)**	**406,513**

(c) Credit standby arrangement and loan facilities

The company does not have a bank overdraft or commercial bill facility.

	2016 $	2015 $

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	6.05	4.37
Earnings used in calculating basic and diluted earnings per share	90,095	65,029
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	1,488,739	1,488,739

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

All Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration includes :

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Note 18. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

Name of related party	Description of goods/services	Value $
Newhaven Hardware	Provision of office space and purchase of goods	4,094
Park Accommodation	Rent paid in respect of branch activities	37,420

(d) Key management personnel shareholdings

The number of ordinary shares in San Remo District Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Terry Ashenden	8,551	22,751
Joan Matthews	17,801	17,801
Miranda Sage	7,500	7,500
Caroline Talbot	3,200	3,200
Janice Rowlingson	9,900	9,900
Bruce Procter	1,000	1,000
Craig Semple	8,000	8,000
Patrick Russell	2,000	2,000
Peter Paul	11,650	11,650
Ray McNamara	11,100	11,100
Anthony Zoanetti (resigned November 2015)	500	500

Terry Ashenden disposed of 14,200 shares during the year - there were no other changes in shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. 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 Bass Coast Shire, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $
Note 22. Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	64,073	63,173
- between 12 months and five years	190,366	254,439
- greater than five years	-	-
Minimum lease payments	**254,439**	**317,612**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI/fixed increases each year.

	2016 $	2015 $
Chattel mortgage commitments		
Chattel mortgage liabilities are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	15,578	19,694
- between 12 months and five years	22,061	33,350
- greater than five years	-	-
Minimum chattel mortgage payments	**37,639**	**53,044**
Less future interest charges	(3,720)	(2,738)
Chattel mortgage liability	**33,919**	**50,306**

Chattel mortgage liabilities comprise mortgages of property, plant and equipment under normal commercial terms and conditions repayable over 5 years.

Note 23. Company details

The registered office and principal place of business is: 103A Marine Parade, SAN REMO, VIC, 3925

	2016 $	2015 $

Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

A final fully franked ordinary dividend of 6 cents per share (2015: 4 cents) franked at the tax rate of 30% (2015: 30%).	89,324	59,550

Note 25. Financial risk management

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.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial 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.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	302,992	731,155
Trade and other receivables	6	133,623	1,063
Financial assets	7	170,171	165,667
Total financial assets		**606,786**	**897,885**
Financial liabilities			
Trade and other payables	11	204,512	231,741
Borrowings	12	96,296	344,583
Total financial liabilities		**300,808**	**576,324**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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 Limited and therefore credit risk is considered minimal.

(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 table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	302,992	302,992	-	-
Trade and other receivables	-%	133,623	133,623	-	-
Financial assets	2.54%	170,171	170,171	-	-
Total anticipated inflows		**606,786**	**606,786**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	204,512	204,512	-	-
Borrowings	4.99%	96,296	56,376	39,920	-
Total expected outflows		**300,808**	**260,888**	**39,920**	**-**
Net inflow / (outflow) on financial instruments		**305,978**	**345,898**	**(39,920)**	**-**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	731,155	731,155	-	-
Trade and other receivables	-%	1,063	1,063	-	-
Financial assets	2.72%	165,667	165,667	-	-
Total anticipated inflows		**897,885**	**897,885**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	231,741	231,741	-	-
Borrowings	5.35%	344,583	50,448	126,720	167,415
Total expected outflows		**576,324**	**282,189**	**126,720**	**167,415**
Net inflow / (outflow) on financial instruments		**321,561**	**615,696**	**(126,720)**	**(167,415)**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	4,732	4,732
+/- 1% in interest rates (interest expense)	963	963
	4,732	**4,732**

	2016 $	2015 $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	8,968	8,968
+/- 1% in interest rates (interest expense)	3,446	3,446
	8,968	**8,968**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors’ declaration

In accordance with a resolution of the Directors of San Remo District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 43 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 2016 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.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors’ report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Terence S Ashenden
Director

Signed at Newhaven on 12 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
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INDEPENDENT AUDITOR'S OPINION

To the directors of San Remo District Financial Services Limited

Report on the Annual 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 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion 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.

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

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

Partners: Philip Delahunty
Kathie Teasdale, Cara Hall
David Richmond, Brett Andrews

Independence

In conducting our review, 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 2016 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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 4 of the director's report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.300A of the Corporations Act 2001. Our responsibility is based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report for San Remo District Financial Services Limited for the year ended 30 June 2016 complies with s.300A of the *Corporations Act 2001*.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner

Dated: 12 September 2016

NSX report

San Remo District Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	343	208,904
1,001 to 5,000	246	557,933
5,001 to 10,000	60	400,501
10,001 to 100,000	19	321,401
100,001 and over	0	-
Total shareholders	**668**	**1,488,739**

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 21 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

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

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Carrmara Pty Ltd as Trustee	11,100	0.74%
Glenyce Elizabeth Paul	12,401	0.83%
Head Station Property Trust	15,000	1.01%
Phillip Island RSL	15,000	1.01%
Glenville Nominees Pty Ltd	20,000	1.34%
Winpar Holdings	20,000	1.34%
Morgeo Nominees Ltd	21,000	1.41%
Thomas Leigh Pty Ltd	25,000	1.68%
Bass Coast Shire Council	40,000	2.69%
Northern Suburbs Sec.	43,550	2.93%
Total of securities	**223,051**	**14.98%**

Registered office and principal administrative office

The registered office of the company is located at:
103a Marine Parade
San Remo VIC 3925
Phone: (03) 5956 7658

The principal administrative office of the company is located at:
34 Boys Home Road
Newhaven VIC 3925
Phone: (03) 5956 7658

Security register

The security register (share register) is kept at:

10-16 Forest Street
Bendigo VIC 3550
Phone: (03) 5445 4222

Company Secretary

Leonie Gardiner has been the Company Secretary of San Remo District Financial Services Limited for 5 1/2 years. Leonie has worked in office administration for 30 years.

Corporate governance

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

(a) The establishment of a Finance, Governance and Audit Committee. Members of the Audit Committee are Terry Ashenden, Janice Rowlingson, Miranda Sage & Ray McNamara;

(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.

Annexure 3

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

Five year summary of performance

		2012	2013	2014	2015	2016
Gross revenue	$	1,742,435	2,030,256	2,208,414	2,041,509	1,991,352
Net profit before tax	$	192,633	139,199	125,213	100,724	129,098
Total assets	$	1,685,426	1,729,383	2,107,594	2,114,435	1,797,554
Total liabilities	$	303,491	349,880	684,379	685,740	368,088
Total equity	$	1,381,935	1,379,513	1,423,215	1,428,895	1,429,466

San Remo District **Community Bank**® Branch
103A Marine Parade, San Remo VIC 3925
Phone: (03) 5678 5833
www.bendigobank.com.au/san_remo

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

Grantville & District **Community Bank**® Branch
Shop 2, 1503 Bass Highway, Grantville VIC 3984
Phone: (03) 5678 8773
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

Share Registry:
Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
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