

**San Remo District Financial Services Limited**  
**Financial Statements**  
**as at**  
**30 June 2012**

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Directors' Report**

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

**Directors**

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

Terry Ashenden Chairman Occupation - Business Proprietor Board member since 08/11/2002	Michele Fulwell (resigned March 2012) Director Occupation - Self employed Board member since 27/10/2008
Joan Matthews Director Occupation - Caravan Park Proprietor Board member since 08/11/2002	Miranda Sage Director Occupation - Pharmacist Board member since 08/11/2002
Norma Stack-Robinson (resigned August 2011) Director Occupation - Retired Board member since 08/11/2002	Caroline Talbot Director Occupation - Business Manager Board member since 25/10/2004
Janice Rowlingson Director Occupation - Self employed Board member since 25/10/2004	Bruce Procter Director Occupation - Retired Board member since 24/10/2005
Craig Semple Director Occupation - Minister of Religion Board member since 29/10/2007	Kathy Jones Director Occupation - School Focus Youth Worker Board member since 26/10/2009
Patrick Russell Director Occupation - Maintenance Manager Board member since 26/10/2009	Dorene Blum Director Occupation - Home duties Board member since 24/10/2011

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

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

**Principal activities**

The principal activities of the company during the course of the financial year were in providing community banking 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.

**Operating results**

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

**Financial position**

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

**San Remo District Financial Services Limited**  
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**Directors' Report**

**Dividends**

	<b>Year Ended 30 June 2012</b>	
	<b>Cents Per Share</b>	<b>\$</b>
Dividends paid in the year	3	44,662
Dividends provided for during the year	3	44,662

**Significant changes in the state of affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

**Events after the reporting period**

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

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

**Future Developments**

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

**Environmental issues**

The company is not subject to any significant environmental regulation.

**Proceedings on behalf of company**

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

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

**Remuneration report**

Joan Matthews is a Director of and shareholder in Park Accommodation (Vic) Pty Ltd, which owns the premises situated at 103A Marine Parade, San Remo. The Company has entered into a lease arrangement with Park Accommodation (Vic) Pty Ltd with regard to these premises. During the year ended 30 June 2012 \$27,418 (2011: \$26,384) was paid in relation to this lease.

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

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

**San Remo District Financial Services Limited**  
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**Directors' Report**

**Indemnifying officers or auditor**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company.

**Directors meetings**

The number of Directors meetings attended during the year were:

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

*# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.  
N/A - not a member of that Committee.*

**Company secretary**

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

**Corporate governance**

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

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

**San Remo District Financial Services Limited**  
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**Directors' Report**

**Non audit services**

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

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

**Auditor Independence declaration**

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

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



Terry Ashenden  
Chairman



**Richmond  
Sinnott &  
Delahunty**

**Chartered Accountants**

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

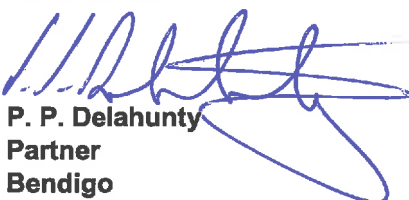
To the Directors of San Remo District Financial Services Limited

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

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

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

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**P. P. Delahunty**  
Partner  
Bendigo

Dated at Bendigo, 7 September 2012

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2012**

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

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Statement of Financial Position**  
**As at 30 June 2012**

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

The accompanying notes form part of these financial statements



**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Statement of Cash Flows**  
**For the year ended 30 June 2012**

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

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2012**

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

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

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

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

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

The financial statements were authorised for issue by the Directors on 7 September 2012.

**(b) Income tax**

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

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

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

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

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

**San Remo District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

**(c) Property, plant and equipment**

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

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Furniture and fittings	20%
Motor vehicles	15%
Plant and equipment	13%
Property improvements	2.5% and 10%

***Impairment***

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

***Revaluations***

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

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

**(d) Impairment of assets**

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

**San Remo District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

**(e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(f) Employee benefits**

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

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

**(g) Intangibles**

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

**(h) Cash**

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

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

**(i) Revenue**

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

**(j) Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**San Remo District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

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

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

**(l) Loans and borrowings**

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

**(m) Provisions**

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

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

**(n) Share capital**

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

**(o) Comparative figures**

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

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

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

*Estimation of useful lives of assets*

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

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**1. Summary of significant accounting policies (continued)**

*Income tax*

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

*Impairment*

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

**(q) Financial instruments**

*Initial recognition and measurement*

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

*Classification and subsequent measurement*

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

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

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

**(i) Loans and receivables**

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

**(ii) Financial liabilities**

Non derivative financial liabilities are subsequently measured at amortised cost.

*Impairment*

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

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

**2. Revenue**

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

**3. Expenses**

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

**4. Income tax expense**

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

Prima facie tax on profit before income tax at 30%	57,790	28,589
Add/(deduct) tax effect of:		
- Non-deductible expenses	19,830	17,840
- Deductible expenses	(9,765)	(9,093)
- Under provision of tax in prior year	-	12,077
<i>Current income tax expense</i>	<u>67,855</u>	<u>49,413</u>
Income tax expense	<u><u>67,855</u></u>	<u><u>49,413</u></u>



**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2012**

<b>4. Income tax expense (continued)</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Current tax asset</b>		
Current tax refund	-	890
<b>Tax liabilities</b>		
Current tax payable	29,569	-
Deferred tax payable	48,522	34,798
	<u>78,091</u>	<u>34,798</u>
<b>5. Auditors' remuneration</b>		
Remuneration of the auditor for:		
- Audit or review of the financial report of the company	4,527	3,900
- Share registry costs	4,889	5,532
- Prospectus - Grantville branch	-	3,000
	<u>9,416</u>	<u>12,432</u>
<b>6. Cash and cash equivalents</b>		
Cash at bank and on hand	<u>937,135</u>	<u>730,087</u>
<b>7. Receivables</b>		
Trade debtors	<u>143,203</u>	<u>93,915</u>
<b>8. Prepayments</b>		
Insurance	6,461	5,969
Staff training	12,440	16,420
	<u>18,901</u>	<u>22,389</u>
<b>9. Property, Plant and Equipment</b>		
<i>Furniture and fittings</i>		
At cost	15,142	15,142
Less accumulated depreciation	<u>(8,123)</u>	<u>(6,115)</u>
	7,019	9,027
<i>Motor vehicles</i>		
At cost	74,432	76,697
Less accumulated depreciation	<u>(15,890)</u>	<u>(22,223)</u>
	58,542	54,474
<i>Computer software</i>		
At cost	18,754	18,754
Less accumulated depreciation	<u>(14,318)</u>	<u>(8,585)</u>
	4,436	10,169
<i>Plant and equipment</i>		
At cost	153,779	153,779
Less accumulated depreciation	<u>(76,596)</u>	<u>(62,430)</u>
	77,183	91,349
<i>Leasehold improvements</i>		
At cost	422,530	421,181
Less accumulated depreciation	<u>(103,662)</u>	<u>(86,270)</u>
	318,868	334,911
Total written down amount	<u>466,048</u>	<u>499,930</u>

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**9. Property, Plant and Equipment (continued)**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts</b>		
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	9,027	1,188
Additions	-	9,119
Disposals	-	-
Depreciation expense	(2,008)	(1,280)
Carrying amount at end of year	<u>7,019</u>	<u>9,027</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	54,474	38,551
Additions	27,312	24,048
Disposals	(11,903)	-
Depreciation expense	(11,341)	(8,125)
Carrying amount at end of year	<u>58,542</u>	<u>54,474</u>
<i>Computer software</i>		
Carrying amount at beginning of year	10,169	5,731
Additions	-	9,377
Disposals	-	-
Depreciation expense	(5,733)	(4,939)
Carrying amount at end of year	<u>4,436</u>	<u>10,169</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	91,349	65,436
Additions	-	41,451
Disposals	-	-
Depreciation expense	(14,166)	(15,538)
Carrying amount at end of year	<u>77,183</u>	<u>91,349</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning of year	334,911	227,787
Additions	-	125,888
Disposals	-	-
Depreciation expense	(17,392)	(18,764)
Carrying amount at end of year	<u>317,519</u>	<u>334,911</u>
<b>10. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	123,696	123,696
Less accumulated amortisation	(74,303)	(49,564)
	<u>49,393</u>	<u>74,132</u>
<i>Preliminary Expenses</i>		
At cost	175,101	175,101
Less accumulated amortisation	(104,887)	(69,871)
	<u>70,214</u>	<u>105,230</u>
<i>Borrowing Costs</i>		
At cost	734	834
Less accumulated amortisation	(202)	(450)
	<u>532</u>	<u>384</u>
	<u>120,139</u>	<u>179,746</u>

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<b>11. Payables</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	4,498	3,351
Other creditors and accruals	70,255	44,062
	<u>74,753</u>	<u>47,413</u>
<b>12. Loans and Borrowings</b>		
<i>Current</i>		
Chattel mortgage	<u>17,304</u>	<u>14,084</u>
<i>Non - Current</i>		
Chattel mortgage	<u>40,426</u>	<u>34,304</u>
<b>13. Provisions</b>		
Dividend payable	44,662	-
Employee benefits	48,255	49,877
	<u>92,917</u>	<u>49,877</u>
<b>Movement in employee benefits</b>		
Opening balance	49,877	41,001
Additional provisions recognised	-	41,447
Amounts utilised during the year	(1,622)	(32,571)
Closing balance	<u>48,255</u>	<u>49,877</u>
<b>14. Share Capital</b>		
650,011 Ordinary Shares fully paid	650,011	650,011
65,000 Bonus Shares issued August 2008 at rate of 1 for 10 held	-	-
436,498 Ordinary Shares fully paid issued for Cowes Branch	436,498	436,498
337,230 Ordinary Shares fully paid issued for Grantville Branch	337,230	337,230
Less: Equity raising costs	(7,813)	(7,813)
	<u>1,415,926</u>	<u>1,415,926</u>
<b>Movement in ordinary shares</b>		
Balance at beginning of year	1,415,926	1,078,685
Equity raising costs	-	-
Initial shares not previously recognised	-	11
Issue of share capital	-	337,230
Balance at end of year	<u>1,415,926</u>	<u>1,415,926</u>
<b>15. Accumulated losses</b>		
Balance at the beginning of the financial year	(69,445)	(115,329)
Profit after income tax	124,778	45,884
Dividends paid or proposed	(89,324)	-
Balance at the end of the financial year	<u>(33,991)</u>	<u>(69,445)</u>

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<b>16. Statement of cash flows</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Cash and cash equivalents</b>		
Cash assets	<u>937,135</u>	<u>730,087</u>
<b>(b) Reconciliation of profit after tax to net cash provided from operating activities</b>		
Profit after income tax	124,778	45,884
Non cash items		
- Depreciation	50,641	48,646
- Net (profit)/loss from sale of plant & equipment	5,084	
- Amortisation	59,755	53,107
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(45,800)	(24,054)
- Increase (decrease) in payables	27,341	(15,875)
- Increase (decrease) in provisions	(1,622)	8,876
- Increase (decrease) in income tax payable	30,459	(890)
- Increase (decrease) in deferred tax liabilities	13,724	19,233
- (Increase) decrease in deferred income tax assets	-	-
Net cashflows from operating activities	<u>264,360</u>	<u>134,927</u>

**17. Director and Related Party Disclosures**

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

Terry Ashenden

Michele Fulwell (resigned March 2012)

Joan Matthews

Miranda Sage

Norma Stack-Robinson (resigned August 2011)

Caroline Talbot

Janice Rowlingson

Bruce Procter

Craig Semple

Kathy Jones

Patrick Russell

Dorene Blum

Joan Matthews is a Director of and Shareholder in Park Accommodation (Vic) Pty Ltd, which owns the premises situated at 103A Marine Parade, San Remo. The Company has entered into a lease arrangement with Park Accommodation (Vic) Pty Ltd with regard to these premises. During the year ended 30 June 2012 \$27,418 (2011: \$26,384) was paid in relation to this lease.

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

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

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**Notes to the Financial Statements**  
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**17. Director and related party disclosures (continued)**

<b>Directors shareholdings</b>	<b>2012</b>	<b>2011</b>
Terry Ashenden	32,751	42,751
Michele Fulwell (resigned March 2012)	2,000	2,000
Joan Matthews	17,801	17,801
Miranda Sage	7,500	7,500
Norma Stack-Robinson (resigned August 2011)	7,000	7,000
Caroline Talbot	3,200	3,200
Janice Rowlingson	9,900	9,900
Bruce Procter	1,000	1,000
Craig Semple	8,000	8,000
Kathy Jones	1,100	1,100
Patrick Russell	2,000	2,000
Dorene Blum	600	600

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

**18. Events after reporting period**

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

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

**19. Contingent liabilities and assets**

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

**20. Operating segments**

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

**21. Corporate Information**

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

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

<b>22. Dividends paid or provided for on ordinary shares</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>a) Dividends paid during the year</b>		
Unfranked dividends - 3 cents per share (2011: 2.5 cents per share)	<u>44,662</u>	<u>34,545</u>
<b>b) Dividends provided for during the year</b>		
Franked dividends - 3 cents per share (2011: nil)	<u>44,662</u>	<u>-</u>

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<b>22. Dividends paid or provided for on ordinary shares (continued)</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	54,740	31,069
- Franking debits that will arise as a result of the franked dividend proposed at the end of the financial year	(19,141)	-
- Franking debits that will arise from the refund of income tax as at the end of the financial year	-	(890)
	<u>35,599</u>	<u>30,179</u>

**23. Earnings per share**

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

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

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

Profit after income tax expense	<u>124,778</u>	<u>45,884</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>1,415,926</u>	<u>1,320,124</u>

## 23. Financial risk management

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

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

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

### Financial Risk Management Policies

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

### Specific Financial Risk Exposure and Management

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

#### (a) Credit Risk

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

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The company's maximum exposure to credit risk at reporting date was:

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

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

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

## (b) Liquidity risk

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

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

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

### Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2012</b>				
<b>Financial Liabilities due for payment</b>				
Payables	74,753	74,753	-	-
Loans and borrowings	57,730	17,304	40,426	-
<b>Total expected outflows</b>	<u>132,483</u>	<u>92,057</u>	<u>40,426</u>	<u>-</u>
<b>Financial Assets - cashflow realisable</b>				
Cash & cash equivalents	937,135	937,135	-	-
Receivables	143,203	143,203	-	-
<b>Total anticipated inflows</b>	<u>1,080,338</u>	<u>1,080,338</u>	<u>-</u>	<u>-</u>
<b>Net (Outflow)/Inflow on financial instruments</b>	<u>1,212,821</u>	<u>1,172,395</u>	<u>40,426</u>	<u>-</u>
<b>30 June 2011</b>				
<b>Financial Liabilities due for payment</b>				
Payables	47,413	47,413	-	-
Loans and borrowings	48,388	14,084	34,304	-
<b>Total expected outflows</b>	<u>95,801</u>	<u>61,497</u>	<u>34,304</u>	<u>-</u>
<b>Financial Assets - cashflow realisable</b>				
Cash & cash equivalents	730,087	730,087	-	-
Receivables	93,915	93,915	-	-
<b>Total anticipated inflows</b>	<u>824,002</u>	<u>824,002</u>	<u>-</u>	<u>-</u>
<b>Net (Outflow)/Inflow on financial instruments</b>	<u>919,803</u>	<u>885,499</u>	<u>34,304</u>	<u>-</u>

Financial assets pledged as collateral

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



### (c) Market risk

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

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

#### Sensitivity analysis

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

	<u>Carrying Amount</u>	
	<u>2012</u>	<u>2011</u>
<b>Fixed rate instruments</b>	<b>\$</b>	<b>\$</b>
Financial assets	557,796	373,779
Financial liabilities	(57,731)	(48,389)
	<u>500,065</u>	<u>325,390</u>
<b>Floating rate instruments</b>		
Financial assets	379,339	356,308
Financial liabilities	-	-
	<u>379,339</u>	<u>356,308</u>

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

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

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

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

#### Fair values

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

## Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

**San Remo District Financial Services Limited**  
**ABN 20 102 770 150**  
**Directors' Declaration**

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

- 1 the financial statements and notes of the company as set out on pages 6 to 25 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Terry Ashenden  
Chairman

Signed at San Remo on 7 September 2012.