

**San Remo District  
Financial Service Limited**

**Financial Statements**

**as at**

**30 June 2014**

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Directors' report**

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

**Directors**

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

<b>Name and position held</b>	<b>Qualifications</b>	<b>Experience and other Directorships</b>
Terry Ashenden Director since 08/11/2002 Chairman		
Joan Matthews Director since 08/11/2002 Director		
Miranda Sage Director since 08/11/2002 Director	Pharmaceutical Chemist Ph. C.	Former councillor and mayor of Bass Coast Shire, Chief pharmacist at Wonthaggi Hospital
Caroline Talbot Director since 25/10/2004 Director	Cert III Business Administration Justice of the Peace	25 years school office manager, member of Community Advisory Group, Wonthaggi Regional Health
Janice Rowlingson Director since 25/10/2004 Director		
Bruce Procter Director since 24/10/2005 Director	Cert Course in Post Office Administration	Past Director of Warley Hospital, past Director of Bass Coast Regional Health
Craig Semple Director since 29/10/2007 Director	B Theol Previous Registered Nurse	2-3 years Board of East Bentleigh Community Health
Kathy Jones Director since 26/10/2009 Director	Diploma Education Diploma Applied Science	
Patrick Russell Director since 26/10/2009 Director	Cert IV Training Diploma Management	
Peter Paul Director since 24/10/2011 Director	B.A., B. Ed B. Tech T.P.T.C	30 years school principal, former councillor and mayor of Bass Coast Shire
Anthony Zoanetti Director since 24/10/2011 Director		

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

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

# **San Remo District Financial Services Limited**

**ACN 102 770 150**

**Directors' report**

## **Principal activities**

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

There have 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 \$125,213 (2013 profit: \$86,902), which is a 44% increase as compared with the previous year.

The net assets of the company have increased to \$1,423,216 (2013: \$1,379,513). The increase/ decrease is largely due to established profitability of all three bank branches.

## **Dividends**

	<b>Year ended 30 June 2014</b>	
	<b>Cents per share</b>	<b>\$</b>
Dividends paid in the year: final dividend	6	89,324

## **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 reporting date**

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.

## **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

Other than detailed below, 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.

The San Remo Financial Services Limited has not accepted the Bendigo & Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo & Adelaide Bank Ltd shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$Nil for the year ended 30 June 2014.

**San Remo District Financial Services Limited**

**ACN 102 770 150**

**Directors' report**

**Remuneration report (continued)**

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 2014 \$29,334 (2013: \$27,541) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2013: \$3,600) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

**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 held during the year were 11. Attendances by each Director during the year were as follows:

<b>Director</b>	<b>Board meetings #</b>	<b>Audit Committee meetings #</b>
Terry Ashenden	11 (11)	2 (2)
Joan Matthews	9 (11)	1 (2)
Miranda Sage	7 (11)	1 (2)
Caroline Talbot	9 (11)	2 (2)
Janice Rowlingson	10 (11)	2 (2)
Bruce Procter	10 (11)	1 (2)
Craig Semple	10 (11)	2 (2)
Kathy Jones	8 (11)	N/A
Patrick Russell	7 (11)	N/A
Peter Paul	9 (11)	1 (2)
Anthony Zoanetti	10 (11)	1 (2)

*# 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.*

**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. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Directors' report**

**Environmental regulations**

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to 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.

**Company Secretary**

Leonie Gardiner has been the Company Secretary of San Remo Financial Services Limited since 2011. Leonie has worked in the family business since 1998. Prior to this she was office manager for various other businesses

**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 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 the 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**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 4 of this financial report. No officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Newhaven on  
8 September 2014.



Terence Stirling Ashenden  
Director



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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8 September 2014

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

Dear Directors

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 2014 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.

**P. P. Delahunty**  
**Partner**  
**Richmond Sinnott & Delahunty**

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Statement of profit or loss and Other Comprehensive Income**  
**for the year ended 30 June 2014**

	<u>Notes</u>	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
Revenue	2	2,208,414	2,030,256
Employee benefits expense	3	(961,728)	(833,089)
Depreciation and amortisation expense	3	(82,627)	(106,414)
Finance costs	3	(1,561)	(4,120)
Bad and doubtful debts expense	3	(836)	(500)
Rental expense		(106,295)	(110,701)
Other expenses		<u>(415,211)</u>	<u>(419,737)</u>
<b>Operating profit before charitable donations &amp; sponsorships</b>		640,156	555,695
Charitable donations and sponsorships		<u>(450,462)</u>	<u>(416,496)</u>
<b>Profit before income tax expense</b>		189,694	139,199
Tax expense	4	<u>64,481</u>	<u>52,297</u>
<b>Profit for the year</b>		125,213	86,902
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>125,213</u></u>	<u><u>86,902</u></u>
Profit attributable to Members of the company		125,213	86,902
<b>Total comprehensive income attributable to Members of the company</b>		<u><u>125,213</u></u>	<u><u>86,902</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	8.79	6.14

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Statement of financial position**  
**As at 30 June 2014**

	<u>Notes</u>	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	606,291	1,086,061
Trade and other receivables	7	231,192	153,206
<b>Total current assets</b>		<u>837,483</u>	<u>1,239,267</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	1,206,734	409,060
Deferred tax asset	14	25,310	21,046
Intangible assets	9	38,067	60,020
<b>Total non-current assets</b>		<u>1,270,111</u>	<u>490,126</u>
<b>Total assets</b>		<u>2,107,594</u>	<u>1,729,393</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	54,198	70,455
Loans and borrowings	11	50,602	11,824
Provisions	12	178,158	151,008
Current tax liabilities	14	68,919	39,693
<b>Total current liabilities</b>		<u>351,877</u>	<u>272,980</u>
<b>Non current liabilities</b>			
Loans and borrowings	11	313,898	13,215
Deferred tax liability	14	18,604	63,685
<b>Total non current liabilities</b>		<u>332,502</u>	<u>76,900</u>
<b>Total liabilities</b>		<u>684,379</u>	<u>349,880</u>
<b>Net assets</b>		<u>1,423,215</u>	<u>1,379,513</u>
<b>Equity</b>			
Issued capital	13	1,423,739	1,415,926
Retained earnings / (accumulated losses)	15	(524)	(36,413)
<b>Total equity</b>		<u>1,423,215</u>	<u>1,379,513</u>

The accompanying notes form part of these financial statements



**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Statement of changes in equity**  
**for the year ended 30 June 2014**

		<b>Issued capital \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2012</b>		<b>1,415,926</b>	<b>(33,991)</b>	<b>1,381,935</b>
Total comprehensive income for the year		-	<b>86,902</b>	<b>86,902</b>
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	<u>-</u>	<u>(89,324)</u>	<u>(89,324)</u>
<b>Balance at 30 June 2013</b>		<b><u>1,415,926</u></b>	<b><u>(36,413)</u></b>	<b><u>1,379,513</u></b>
<b>Balance at 1 July 2013</b>		<b>1,415,926</b>	<b>(36,413)</b>	<b>1,379,513</b>
Total comprehensive income for the year		-	<b>125,213</b>	<b>125,213</b>
Transactions with owners, in their capacity as owners				
Reversal of equity raising costs		7,813	-	7,813
Shares issued during the year		-	-	-
Dividends paid or provided	23	<u>-</u>	<u>(89,324)</u>	<u>(89,324)</u>
<b>Balance at 30 June 2014</b>		<b><u>1,423,739</u></b>	<b><u>(524)</u></b>	<b><u>1,423,215</u></b>

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Statement of cash flows**  
**For the year ended 30 June 2014**

	<u>Notes</u>	<b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		2,323,875	2,006,838
Payments to suppliers and employees		(2,151,462)	(1,726,366)
Other income		-	1,707
Interest paid		(3,435)	(4,120)
Interest received		22,959	29,505
Income tax paid		(84,601)	(48,056)
<b>Net cash provided by operating activities</b>	16	<u>107,336</u>	<u>259,508</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment		-	18,954
Proceeds from sale of investments		-	-
Purchase of property, plant & equipment		(845,878)	(7,521)
<b>Net cash flows from/(used in) investing activities</b>		<u>(845,878)</u>	<u>11,433</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		339,461	-
Repayment of borrowings		-	(32,691)
Adjustment to share capital		7,813	-
Dividends paid		(88,502)	(89,324)
<b>Net cash provided by/(used in) financing activities</b>		<u>258,772</u>	<u>(122,015)</u>
<b>Net increase/(decrease) in cash held</b>		(479,770)	148,926
Cash and cash equivalents at beginning of financial year		1,086,061	937,135
<b>Cash and cash equivalents at end of financial year</b>	6	<u>606,291</u>	<u>1,086,061</u>

The accompanying notes form part of these financial statements

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Notes to the financial statements**  
**For the year ended 30 June 2014**

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 September 2014.

## **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, where 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.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations 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;
- 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.

**San Remo District Financial Services Limited**  
**ACN 102 770 150**  
**Notes to the financial statements**  
**For the year ended 30 June 2014**

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

**(b) Income tax**

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

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.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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 measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

**(c) Fair value of assets and liabilities**

The company measures 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 assets 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 closes 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.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

**San Remo District Financial Services Limited**  
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**Notes to the financial statements**  
**For the year ended 30 June 2014**

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

**(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.

*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 either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. 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.

*Depreciation*

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis 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:

<i>Class of asset</i>	<i>Depreciation rate</i>
Buildings	2.5%
Leasehold improvements	2.5 - 13%
Plant & equipment	10 - 33%

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

An assets' carrying amount is written down immediately to its recoverable amount if the assets' 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.

**San Remo District Financial Services Limited**  
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**Notes to the financial statements**  
**For the year ended 30 June 2014**

**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 entities in 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 each reporting period, the company assesses whether there is any indication that an asset may be impaired. 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.

**San Remo District Financial Services Limited**  
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**Notes to the financial statements**  
**For the year ended 30 June 2014**

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

**(h) Employee benefits (continued)**

*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. 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.

The company's obligation 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) 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 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.

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.

**(k) Revenue**

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

Interest, dividend and fee revenue is recognised when earned.

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

**(l) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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**For the year ended 30 June 2014**

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

**(m) 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.

**(n) Borrowing costs**

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

**(o) New accounting standards for application in current 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.

*Employee benefits*

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

*Fair value measurement*

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.



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

**(o) New accounting standards for application in current periods (continued)**

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

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

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 commencing on or after 1 January 2017).**

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

**(ii) AASB 2012-3: *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).**

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

**(iii) AASB 2013-3: *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).**

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

**(q) Loans and borrowings**

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

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

**(r) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

**(s) 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.

**(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) 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.

*Fair value assessment of non-current physical assets*

The new 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.

*Employee benefits provision*

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

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

**(u) Critical accounting estimates and judgements (continued)**

*Income tax*

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

*Impairment*

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.

**(v) 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.

*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.

**(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(ii) Financial liabilities**

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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

**(v) Financial instruments (continued)**

*Impairment*

A financial asset (or group of financial assets) is deemed to be 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

*Derecognition of financial instruments*

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.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>2. Revenue and other income</b>		
Revenue		
- services commissions	2,184,692	1,999,044
	<u>2,184,692</u>	<u>1,999,044</u>
Other revenue		
- interest received	22,959	29,505
- other revenue	763	1,707
	<u>23,722</u>	<u>31,212</u>
Total revenue	<u>2,208,414</u>	<u>2,030,256</u>
<b>3. Expenses</b>		
Employee benefits expense		
- wages and salaries	823,846	701,748
- superannuation costs	73,145	68,581
- other costs	64,737	62,760
	<u>961,728</u>	<u>833,089</u>

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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>3. Expenses (continued)</b>		
Depreciation of non-current assets:		
- plant and equipment	48,204	46,659
Amortisation of non-current assets:		
- intangible assets	34,423	59,755
	<u>82,627</u>	<u>106,414</u>
Finance costs:		
- Interest paid	1,561	4,120
Bad debts	836	500
<b>4. Tax Expense</b>		
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	56,909	39,693
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	7,572	12,604
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	<u>64,481</u>	<u>52,297</u>
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	56,909	41,760
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Deductible expenses	(4,015)	(9,352)
- Non-deductible expenses	11,587	19,889
<i>Current income tax expense</i>	<u>64,481</u>	<u>52,297</u>
Income tax attributable to the entity	<u>64,481</u>	<u>52,297</u>
The applicable weighted average effective tax rate is	33.99%	37.57%
<b>5. Auditors' remuneration</b>		
Remuneration of the Auditor for:		
- Audit or review of the financial report	6,090	4,607
- Taxation services	-	-
- Share registry services	470	3,902
	<u>6,560</u>	<u>8,509</u>

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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>6. Cash and cash equivalents</b>		
Cash at bank and on hand	146,728	501,339
Short-term bank deposits	459,563	584,722

The effective interest rate on short-term bank deposits was 3.35% (2013: 4.10%); these deposits have an average maturity of 60 days.

*Reconciliation of cash*

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	606,291	1,086,061
Bank overdrafts	-	-
	<u>606,291</u>	<u>1,086,061</u>

**7. Trade and other receivables**

**Current**

Trade debtors	177,211	138,114
GST Refundable	46,637	-
Other assets	7,344	15,092
	<u>231,192</u>	<u>153,206</u>

**Credit risk**

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7.

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.

			<b>Past due but not impaired</b>			
	<b>Gross amount</b>	<b>Past due and impaired</b>	<b>&lt; 30 days</b>	<b>31-60 days</b>	<b>&gt; 60 days</b>	<b>Not past due</b>
<b>2014</b>						
Trade receivables	177,211	-	-	-	-	177,211
Other receivables	53,981	-	-	-	-	53,981
<b>Total</b>	<u>231,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,192</u>
<b>2013</b>						
Trade receivables	138,115	-	-	-	-	138,115
Other receivables	6,631	-	-	-	-	6,631
<b>Total</b>	<u>144,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,746</u>

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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. Property, plant and equipment</b>		
<i>Land and Buildings</i>		
At cost	816,513	-
Less accumulated depreciation	<u>(5,239)</u>	<u>-</u>
	<u>811,274</u>	<u>-</u>
<i>Leasehold improvements</i>		
At cost	422,530	422,530
Less accumulated depreciation	<u>(138,476)</u>	<u>(121,072)</u>
	<u>284,054</u>	<u>301,458</u>
<i>Plant and equipment</i>		
At cost	274,945	245,581
Less accumulated depreciation	<u>(163,539)</u>	<u>(137,978)</u>
	<u>111,406</u>	<u>107,603</u>
Total written down amount	<u><u>1,206,734</u></u>	<u><u>409,061</u></u>
<b>Movements in carrying amounts</b>		
<i>Land and buildings</i>		
Balance at the beginning of the reporting period	-	-
Additions	816,513	-
Disposals	-	-
Depreciation expense	<u>(5,239)</u>	<u>-</u>
Balance at the end of the reporting period	<u><u>811,274</u></u>	<u><u>-</u></u>
<i>Leasehold improvements</i>		
Balance at the beginning of the reporting period	301,458	318,868
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(17,404)</u>	<u>(17,410)</u>
Balance at the end of the reporting period	<u><u>284,054</u></u>	<u><u>301,458</u></u>
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	107,602	147,180
Additions	29,366	7,521
Disposals	-	17,850
Depreciation expense	<u>(25,562)</u>	<u>(29,249)</u>
Balance at the end of the reporting period	<u><u>111,406</u></u>	<u><u>107,602</u></u>
<b>9. Intangible assets</b>		
<i>Franchise fee</i>		
At cost	54,787	123,696
Less accumulated amortisation	<u>(41,090)</u>	<u>(99,042)</u>
	<u>13,697</u>	<u>24,654</u>
<i>Preliminary expenses</i>		
At cost	78,179	175,101
Less accumulated amortisation	<u>(58,635)</u>	<u>(139,903)</u>
	<u>19,544</u>	<u>35,198</u>

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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>9. Intangible assets (continued)</b>		
<i>Borrowing Costs</i>		
At cost	5,487	525
Less accumulated amortisation	(661)	(357)
	<u>4,826</u>	<u>168</u>
Total Intangible assets	<u>38,067</u>	<u>60,020</u>
<b>Movements in carrying amounts</b>		
<i>Franchise fee</i>		
Balance at the beginning of the reporting period	24,654	49,393
Additions	-	-
Disposals	-	-
Amortisation expense	(10,957)	(24,739)
Balance at the end of the reporting period	<u>13,697</u>	<u>24,654</u>
<i>Preliminary expenses</i>		
Balance at the beginning of the reporting period	35,198	70,214
Additions	7,812	-
Disposals	-	-
Amortisation expense	(23,466)	(35,016)
Balance at the end of the reporting period	<u>19,544</u>	<u>35,198</u>
<i>Borrowing Costs</i>		
Balance at the beginning of the reporting period	168	532
Additions	4,962	-
Disposals	(106)	(258)
Amortisation expense	(198)	(106)
Balance at the end of the reporting period	<u>4,826</u>	<u>168</u>
<b>10. Trade and other payables</b>		
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	2,205	8,597
Other creditors and accruals	51,993	61,858
	<u>54,198</u>	<u>70,455</u>
<b>11. Borrowings</b>		
<b>Current</b>		
Chattel Mortgages	18,946	11,824
Secured mortgage facility	31,656	-
	<u>50,602</u>	<u>11,824</u>
<b>Non-Current</b>		
Chattel Mortgages	24,411	13,215
Secured mortgage facility	289,487	-
	<u>313,898</u>	<u>13,215</u>
The company does not have an overdraft facility.		



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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>12. Provisions</b>		
Employee benefits	<u>84,359</u>	<u>56,671</u>
<b>Movement in employee benefits</b>		
Opening balance	56,671	48,255
Additional provisions recognised	27,688	8,416
Amounts utilised during the year	-	-
Closing balance	<u>84,359</u>	<u>56,671</u>
Dividend payable	<u>93,799</u>	<u>94,337</u>
<b>Current</b>		
Dividend payable	93,799	94,337
Annual leave	52,482	37,576
Long-service leave	<u>31,877</u>	<u>19,095</u>
	<u>178,158</u>	<u>151,008</u>
<b>Non-current</b>		
Long-service leave	-	-
	-	-
<b>Total provisions</b>	<u>178,158</u>	<u>151,008</u>

**Provision for employee benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

**13. 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
1:10 Bonus shares issued for no consideration		
Less: Equity raising costs	-	(7,813)
	<u>1,423,739</u>	<u>1,415,926</u>

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<b>13. Share capital (continued)</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,415,926	1,415,926
Reversal of equity raising costs	7,813	-
Shares issued during the year	-	-
At the end of the reporting period	<u>1,423,739</u>	<u>1,415,926</u>

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 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 2014 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.

<b>14. Tax</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
(a) Tax Assets		
NON-CURRENT		
Deferred tax asset comprises:		
Payables	-	4,045
Provisions	25,310	17,001
	<u>25,310</u>	<u>21,046</u>
(b) Tax Liabilities		
CURRENT		
Income tax payable	68,919	39,693
	<u>68,919</u>	<u>39,693</u>

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<b>14. Tax (continued)</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
NON-CURRENT		
Deferred tax liability comprises:		
Prepayments	(1,525)	42,046
Difference in Decline in Value	20,129	21,639
	<u>18,604</u>	<u>63,685</u>

**15. Retained earnings / (accumulated losses)**

Balance at the beginning of the reporting period	(36,413)	(33,991)
Profit/(loss) after income tax	125,213	86,902
Dividends paid or proposed	(89,324)	(89,324)
Balance at the end of the reporting period	<u>(524)</u>	<u>(36,413)</u>

**16. Statement of cash flows**

*Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities*

Profit / (loss) after income tax	125,213	86,902
Non cash items		
- Depreciation	48,204	46,659
- Net (profit)/loss from sale of plant & equipment	-	(740)
- Amortisation	21,127	59,755
Changes in assets and liabilities		
- (Increase) decrease in receivables	(31,350)	8,898
- (Increase) decrease in income tax payable	29,226	10,124
- (Increase) decrease in deferred tax asset/liabilities	(49,346)	(5,883)
- Increase (decrease) in payables	30,910	(4,298)
- Increase (decrease) in provisions	(66,649)	58,091
Net cash flows from/(used in) operating activities	<u>107,336</u>	<u>259,508</u>

**17. Related party transactions**

The company's main related parties are as follows:

(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.

(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.

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**17. Related party transactions (continued)**

The San Remo Financial Services Limited has not accepted the Bendigo & Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo & Adelaide Bank Ltd shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$Nil for the year ended 30 June 2014.

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 2014 \$29,334 (2013: \$27,541) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2013: \$3,600) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

**(d) Key management personnel shareholdings**

The number of ordinary shares in San Remo District Financial Services Limited held by each key management

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Terry Ashenden	22,751	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
Kathy Jones	1,100	1,100
Patrick Russell	2,000	2,000
Peter Paul	11,650	11,650
Anthony Zoanetti	500	500

There was no movement in key management personnel 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.

**18. Events after the reporting period**

There have been no 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.

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**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, Phillip Island, Grantville and District, Victoria. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

**21. Company details**

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

**22. Earnings per share**

	2014	2013
	\$	\$

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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/(loss) after income tax expense	125,213	86,902
Weighted average number of ordinary shares for basic and diluted earnings per share	1,423,739	1,415,926

**23. Dividends paid or provided for on ordinary shares**

A fully franked final dividend of 6 cents per share has been provided for in respect of the year ended 30th June 2014.

**a) Dividends paid during the year**

Final dividend of 6 cents per share fully franked (2013: dividend of 6 cents per share fully franked)	89,324	89,324
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**b) Franking credit balance**

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

- Franking account balance as at the end of the financial year	91,319	83,654
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	68,919	39,693
	160,238	123,347

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**24. Financial risk management**

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

	Note	2014 \$	2013 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	606,291	1,086,061
Trade and other receivables	7	231,192	153,206
<b>Total financial assets</b>		<u>837,483</u>	<u>1,239,267</u>
<b>Financial liabilities</b>			
Trade and other payables	10	54,198	70,455
Borrowings	11	364,500	25,039
<b>Total financial liabilities</b>		<u>418,698</u>	<u>95,494</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.

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, foreign currency 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.

**(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.

Credit risk is managed through maintaining procedures that ensure, 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.

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 statement of financial position.

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 (2013: 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.

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**24. Financial risk management (continued)**

**(a) Credit risk (continued)**

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>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents:</b>		
A rated	<u>606,291</u>	<u>1,086,061</u>

**(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:

<b>30 June 2014</b>		<b>Total</b>	<b>Within</b>	<b>1 to</b>	<b>Over</b>
	<b>Note</b>	<b>\$</b>	<b>1 year</b>	<b>5 years</b>	<b>5 years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due</b>					
Trade and other payables	<b>10</b>	54,198	54,198	-	-
Loans and borrowings	<b>11</b>	364,500	50,602	151,035	162,863
<b>Total expected outflows</b>		<u>418,698</u>	<u>104,800</u>	<u>151,035</u>	<u>162,863</u>
<b>Financial assets - realisable</b>					
Cash & cash equivalents	<b>6</b>	606,291	606,291	-	-
Trade and other receivables	<b>7</b>	231,192	231,192	-	-
<b>Total anticipated inflows</b>		<u>837,483</u>	<u>837,483</u>	<u>-</u>	<u>-</u>
<b>Net (outflow)inflow on financial instruments</b>		<u>418,785</u>	<u>(732,683)</u>	<u>151,035</u>	<u>162,863</u>

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**24. Financial risk management (continued)**

**(b) Liquidity risk (continued)**

<b>30 June 2013</b>		<b>Total \$</b>	<b>Within 1 year \$</b>	<b>1 to 5 years \$</b>	<b>Over 5 years \$</b>
<b>Financial liabilities due</b>					
Trade and other payables	<b>10</b>	70,455	70,455	-	-
Loans and borrowings	<b>11</b>	25,039	11,824	13,215	-
<b>Total expected outflows</b>		<u>95,494</u>	<u>82,279</u>	<u>13,215</u>	<u>-</u>
<b>Financial assets - realisable</b>					
Cash & cash equivalents	<b>6</b>	1,086,061	1,086,061	-	-
Trade and other receivables	<b>7</b>	153,206	153,206	-	-
<b>Total anticipated inflows</b>		<u>1,239,267</u>	<u>1,239,267</u>	<u>-</u>	<u>-</u>
<b>Net (outflow)/inflow on financial instruments</b>		<u>1,143,773</u>	<u>1,156,988</u>	<u>13,215</u>	<u>-</u>

**(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.

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

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

<b>Year ended 30 June 2014</b>	<b>Profit \$</b>	<b>Equity \$</b>
+/- 1% in interest rates (interest income)	6,063	6,063
	<u>6,063</u>	<u>6,063</u>
<b>Year ended 30 June 2013</b>		
+/- 1% in interest rates (interest income)	10,861	10,861
	<u>10,861</u>	<u>10,861</u>

The company has no exposure to fluctuations in foreign currency.



**San Remo District Financial Services Limited**  
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**24. Financial risk management (continued)**

**(d) Price risk**

The company is not exposed to any material price risk.

**Fair values**

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 23 for detailed disclosures regarding the fair value measurement of the company's financial assets and liabilities.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company. Most of these instruments, which are carried at amortised cost, are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

	Note	2014		2013
		Carrying amount	Fair value	Carrying amount
		\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents (i)		606,291	606,291	1,086,061
Trade and other receivables (i)		231,192	231,192	153,206
<b>Total financial assets</b>		<u>837,483</u>	<u>837,483</u>	<u>1,239,267</u>
<b>Financial liabilities</b>				
Trade and other payables (i)		54,198	54,198	70,455
Loans and borrowings		364,500	364,500	25,039
<b>Total financial liabilities</b>		<u>418,698</u>	<u>418,698</u>	<u>95,494</u>

(i) 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. The fair values of receivables and payables are determined on the basis of an income approach using a discounted cash flow methodology. Discount rates are based on market interest rates for similar instruments and range between 7.8% and 9.3%, depending upon the nature of the instrument.

**San Remo District Financial Services Limited**  
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**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 1 to 33 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 2014 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.

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



Terence Stirling Ashenden  
Director

Signed at Newhaven on 8 September 2014.