

**San Remo District
Financial Service Limited**

Financial Statements

as at

30 June 2015

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 2015.

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:

| Name and position held | Qualifications | Experience and other Directorships |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 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 Resigned 27/10/2014 | 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 | | |
| Ray McNamara Director since 27/10/2014 Director | B. Eng Masters Eng Science Member IEA Cert Prof Engineer | |

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

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

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

Principal activities

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

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

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was \$65,030 (2014 profit: \$125,213), which is a 48% decrease as compared with the previous year. The decrease was due to an overpayment of gross margin by Bendigo Bank Limited since March 2014. This resulted in an overstatement of profit for the year ended 30 June 2014. Furthermore, the additional profit meant that additional funds were paid out as community sponsorships resulting in the lower profit for the year ended 30th June 2015.

The net assets of the company have increased to \$1,428,965 (2014: \$1,423,215).

Dividends

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

| | Year ended 30 June 2015 | |
|-------------------------------------------------------------|--------------------------------|-----------|
| | Cents per share | \$ |
| Dividends proposed in the year (interim /or final) dividend | 4 | 59,550 |

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

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.

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

Remuneration report (continued)

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 and 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 and 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 2015.

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 2015 \$29,931 (2014: \$29,334) was paid in relation to this lease.

Newhaven Hardware and Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2014: \$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.

San Remo District Financial Services Limited

ACN 102 770 150

Directors' report

Directors' meetings

The number of Directors' meetings held during the year was 11. Attendances by each Director during the year were as follows:

| Director | Board meetings # | Audit Committee meetings # |
|-------------------|-------------------------|-----------------------------------|
| Terry Ashenden | 11 (11) | 2 (2) |
| Joan Matthews | 11 (11) | 1 (2) |
| Miranda Sage | 7 (11) | 2 (2) |
| Caroline Talbot | 10 (11) | 2 (2) |
| Janice Rowlingson | 7 (11) | 2 (2) |
| Bruce Procter | 11 (11) | 1 (2) |
| Craig Semple | 10 (11) | 2 (2) |
| Kathy Jones | 2 (4) | N/A |
| Patrick Russell | 9 (11) | 1 (2) |
| Peter Paul | 9 (11) | 1 (2) |
| Anthony Zoanetti | 9 (11) | 1 (2) |
| Ray McNamara | 8 (8) | 1 (1) |

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.

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.

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

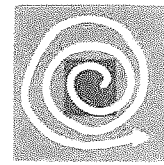
Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 6 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
10 September 2015.



Terence Stirling Ashenden
Director



**Richmond
Sinnott &
Delahunt**

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 1000
rsd@rsd advisors.com.au
www.rsdadvisors.com.au

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, 11th September 2015

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 2015

| | <u>Notes</u> | 2015 \$ | 2014 \$ |
|-----------------------------------------------------------------------------|--------------|--------------------------|--------------------------|
| Revenue | 2 | 2,041,509 | 2,208,414 |
| Employee benefits expense | 3 | (989,474) | (961,728) |
| Depreciation and amortisation expense | 3 | (88,001) | (82,627) |
| Finance costs | 3 | (19,808) | (1,561) |
| Bad and doubtful debts expense | 3 | (1,154) | (836) |
| Rental expense | | (69,330) | (106,295) |
| Other expenses | 3 | <u>(436,786)</u> | <u>(415,211)</u> |
| Operating profit/(loss) before charitable donations and sponsorships | | 436,956 | 640,156 |
| Charitable donations and sponsorships | | <u>(336,232)</u> | <u>(450,462)</u> |
| Profit/(loss) before income tax | | 100,724 | 189,694 |
| Tax expense / (benefit) | 4 | <u>35,694</u> | <u>64,481</u> |
| Profit/(loss) for the year | | 65,030 | 125,213 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u><u>65,030</u></u> | <u><u>125,213</u></u> |
| Total comprehensive income attributable to: | | | |
| Members of the company | | <u>-</u> | <u>-</u> |
| Total | | <u><u>65,030</u></u> | <u><u>125,213</u></u> |
| Earnings per share (cents per share) | | | |
| - basic earnings per share | 22 | 4.57 | 8.79 |

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 2015

| | <u>Notes</u> | 2015 \$ | 2014 \$ |
|--------------------------------------|--------------|------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 896,822 | 606,291 |
| Trade and other receivables | 7 | 1,563 | 226,712 |
| Total current assets | | <u>898,385</u> | <u>833,003</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 1,180,930 | 1,206,734 |
| Deferred tax asset | 14 | 16,722 | 25,310 |
| Intangible assets | 9 | 18,398 | 42,547 |
| Total non-current assets | | <u>1,216,050</u> | <u>1,274,591</u> |
| Total assets | | <u>2,114,435</u> | <u>2,107,594</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 231,741 | 54,198 |
| Loans and borrowings | 11 | 50,448 | 50,602 |
| Current tax liabilities | 13 | (25,550) | 68,919 |
| Provisions | 12 | 119,627 | 178,158 |
| Total current liabilities | | <u>376,266</u> | <u>351,877</u> |
| Non current liabilities | | | |
| Loans and borrowings | 11 | 294,135 | 313,898 |
| Deferred tax liability | 13 | 15,339 | 18,604 |
| Total non current liabilities | | <u>309,474</u> | <u>332,502</u> |
| Total liabilities | | <u>685,740</u> | <u>684,379</u> |
| Net assets / (liabilities) | | <u>1,428,695</u> | <u>1,423,215</u> |
| Equity | | | |
| Issued capital | 14 | 1,423,739 | 1,423,739 |
| Accumulated losses | 15 | 4,956 | (524) |
| Total equity | | <u>1,428,695</u> | <u>1,423,215</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 2015

| | | Issued capital \$ | Retained earnings \$ | Total equity \$ |
|------------------------------------------------------------------|----|-------------------------|----------------------------|-------------------------|
| Balance at 1 July 2013 | | 1,415,926 | (36,413) | 1,379,513 |
| Profit for the year | | - | 125,213 | 125,213 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | - | 125,213 | 125,213 |
| 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 | - | (89,324) | (89,324) |
| Balance at 30 June 2014 | | <u>1,423,739</u> | <u>(524)</u> | <u>1,423,215</u> |
| Balance at 1 July 2014 | | 1,423,739 | (524) | 1,423,215 |
| Profit for the year | | - | 65,030 | 65,030 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | - | 65,030 | 65,030 |
| Transactions with owners, in their capacity as owners | | | | |
| Reversal of equity raising costs | | - | - | - |
| Shares issued during the year | | - | - | - |
| Dividends paid or provided | 23 | - | (59,550) | (59,550) |
| Balance at 30 June 2015 | | <u>1,423,739</u> | <u>4,956</u> | <u>1,428,695</u> |

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 2015

| | <u>Notes</u> | 2015 \$ | 2014 \$ |
|------------------------------------------------------------|--------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 2,563,228 | 2,323,875 |
| Payments to suppliers and employees | | (2,032,632) | (2,151,462) |
| Other income | | 4,194 | - |
| Interest paid | | (19,807) | (3,435) |
| Interest received | | 16,368 | 22,959 |
| Income tax paid | | (124,839) | (84,601) |
| Net cash provided by/(used in) operating activities | 16 | <u>406,512</u> | <u>107,336</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | | (2,272) | - |
| Purchase of property, plant and equipment | | 41,351 | (845,878) |
| Net cash flows from/(used in) investing activities | | <u>39,079</u> | <u>(845,878)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 32,250 | 339,461 |
| Repayment of borrowings | | (38,282) | - |
| Adjustment to share capital | | - | 7,813 |
| Dividends paid | | (149,028) | (88,502) |
| Net cash provided by/(used in) financing activities | | <u>(155,060)</u> | <u>258,772</u> |
| Net increase/(decrease) in cash held | | 290,531 | (479,770) |
| Cash and cash equivalents at beginning of financial year | | 606,291 | 1,086,061 |
| Cash and cash equivalents at end of financial year | 6 | <u><u>896,822</u></u> | <u><u>606,291</u></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 2015

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 xx September 2015.

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.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic Dependency (continued)

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.

(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.

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

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

(c) Fair value of assets and liabilities

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

Fair value is the price the company would receive to sell an 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.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

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

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

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

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

(d) Property, plant and equipment

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

Property

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

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

Plant and equipment

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

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

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line or reducing balance 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 | 2.5-10% |
| Plant and equipment | 10-20% |

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

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

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

(e) Leases

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

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

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

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

San Remo District Financial Services Limited

ACN 102 770 150

Notes to the financial statements

For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

Short-term employee benefits

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

The company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

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

(i) Intangible assets and franchise fees

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 and other income

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

Interest, 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.

(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.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

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

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

(p) New accounting standards for application in future periods

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

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

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

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.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

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 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

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

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

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

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

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

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(q) Loans and borrowings

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

(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:

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(u) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

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

Income tax

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

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.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

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

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

(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.

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.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Derecognition

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

| | 2015 | 2014 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| 2. Revenue and other income | | |
| Revenue | | |
| - services commissions | 2,023,076 | 2,184,692 |
| | <u>2,023,076</u> | <u>2,184,692</u> |
| Other revenue | | |
| - interest received | 14,239 | 22,959 |
| - other revenue | 4,194 | 763 |
| | <u>18,433</u> | <u>23,722</u> |
| Total revenue | <u>2,041,509</u> | <u>2,208,414</u> |
| 3. Expenses | | |
| Employee benefits expense | | |
| - wages and salaries | 847,671 | 823,846 |
| - superannuation costs | 77,987 | 73,145 |
| - other costs | 63,816 | 64,737 |
| | <u>989,474</u> | <u>961,728</u> |
| Depreciation of non-current assets: | | |
| - plant and equipment | 61,408 | 48,204 |
| Amortisation of non-current assets: | | |
| - intangible assets | 26,593 | 34,423 |
| | <u>88,001</u> | <u>82,627</u> |
| Finance costs: | | |
| - Interest paid | 19,808 | 1,561 |
| Bad debts | 1,154 | 836 |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

| | 2015 \$ | 2014 \$ |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 3. Expenses (continued) | | |
| Other expenses | | |
| - motor vehicle expenses | 12,199 | 14,434 |
| - insurance | 25,536 | 30,249 |
| - printing and stationery | 31,866 | 27,099 |
| - IT equipment Lease | 34,865 | 36,377 |
| - IT running costs | 27,244 | 27,300 |
| - IT support costs | 27,490 | 28,899 |
| - ATM Fees | 24,180 | 25,460 |
| - electricity and gas | 14,947 | 16,878 |
| - repairs and maintenance | 5,950 | 5,390 |
| - rates | 9,017 | 6,579 |
| - telephone | 20,915 | 19,013 |
| - marketing and advertising | 78,768 | 68,003 |
| - other | 123,809 | 109,530 |
| | <u>436,786</u> | <u>415,211</u> |
| 4. Tax Expense | | |
| a. The components of tax expense/(income) comprise | | |
| - current tax expense/(income) | 42,795 | 56,909 |
| - deferred tax expense/(income) relating to the origination and reversal of temporary differences | (6,896) | 7,572 |
| - recoupment of prior year tax losses | | |
| - adjustments for under/(over)-provision of current income tax of previous years | (205) | - |
| | <u>35,694</u> | <u>64,481</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% (2014: 30%) | 42,795 | 56,909 |
| Add tax effect of: | | |
| - Adjustments in respect of current income tax of previous year | (205) | - |
| - Utilisation of previously unrecognised carried forward tax losses | - | - |
| - Deductible expenses | (43,081) | (4,015) |
| - Non-deductible expenses | 36,185 | 11,587 |
| <i>Current income tax expense</i> | <u>35,694</u> | <u>64,481</u> |
| Income tax attributable to the entity | <u>35,694</u> | <u>64,481</u> |
| The applicable weighted average effective tax rate is | 35.44% | 33.99% |

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

| | 2015 | 2014 |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| 5. Auditors' remuneration | | |
| Remuneration of the Auditor for: | | |
| Audit or review of the financial report | 5,700 | 6,090 |
| Share registry services | 4,808 | 470 |
| | <u>10,508</u> | <u>6,560</u> |
| 6. Cash and cash equivalents | | |
| Cash at bank and on hand | 731,155 | 146,728 |
| Short-term bank deposits | 165,667 | 459,563 |
| | <u>896,822</u> | <u>606,291</u> |
| The effective interest rate on short-term bank deposits was 2.75% (2014: 3.35%); these deposits have an average maturity of 90 days. | | |
| 7. Trade and other receivables | | |
| Current | | |
| Trade receivables | - | 177,211 |
| GST refundable | - | 46,637 |
| Other assets | 1,563 | 2,864 |
| | <u>1,563</u> | <u>226,712</u> |

Credit risk

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

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

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

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

7. Trade and other receivables (continued)

| | Gross amount | Past due and impaired | Past due but not impaired | | | Not past due |
|-------------------|---------------------|------------------------------|----------------------------------|-------------------|---------------------|---------------------|
| | \$ | \$ | < 30 days | 31-60 days | > 60 days | \$ |
| | | | \$ | \$ | \$ | |
| 2015 | | | | | | |
| Trade receivables | - | - | - | - | - | - |
| Other receivables | 1,563 | - | - | - | - | 1,563 |
| Total | <u>1,563</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,563</u> |
| 2014 | | | | | | |
| Trade receivables | 177,211 | - | - | - | - | 177,211 |
| Other receivables | 2,864 | - | - | - | - | 2,864 |
| Total | <u>180,075</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>180,075</u> |

| | 2015 | 2014 |
|-----------------------------------------|------------------|------------------|
| | \$ | \$ |
| 8. Property, plant and equipment | | |
| <i>Land and Buildings</i> | | |
| At cost | 816,513 | 816,513 |
| Less accumulated depreciation | (20,431) | (5,239) |
| | <u>796,082</u> | <u>811,274</u> |
| <i>Leasehold improvements</i> | | |
| At cost | 422,530 | 422,530 |
| Less accumulated depreciation | (155,495) | (138,476) |
| | <u>267,035</u> | <u>284,054</u> |
| <i>Plant and equipment</i> | | |
| At cost | 293,225 | 274,945 |
| Less accumulated depreciation | (175,412) | (163,539) |
| | <u>117,813</u> | <u>111,406</u> |
| Total written down amount | <u>1,180,930</u> | <u>1,206,734</u> |

Movements in carrying amounts

| | | |
|--------------------------------------------------|----------------|----------------|
| <i>Land and buildings</i> | | |
| Balance at the beginning of the reporting period | 811,274 | - |
| Additions | - | 816,513 |
| Disposals | - | - |
| Depreciation expense | (15,192) | (5,239) |
| Balance at the end of the reporting period | <u>796,082</u> | <u>811,274</u> |
| <i>Leasehold improvements</i> | | |
| Balance at the beginning of the reporting period | 284,054 | 301,458 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (17,019) | (17,404) |
| Balance at the end of the reporting period | <u>267,035</u> | <u>284,054</u> |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

8. Property, plant and equipment (continued)

Plant and equipment

| | | |
|--------------------------------------------------|----------------|----------------|
| Balance at the beginning of the reporting period | 111,406 | 107,602 |
| Additions | 41,352 | 29,366 |
| Disposals | (23,072) | - |
| Depreciation expense | (11,873) | (25,562) |
| Balance at the end of the reporting period | <u>117,813</u> | <u>111,406</u> |

9. Intangible assets

Franchise fee

| | | |
|-------------------------------|--------------|---------------|
| At cost | 54,787 | 54,787 |
| Less accumulated amortisation | (52,048) | (41,090) |
| | <u>2,739</u> | <u>13,697</u> |

Preliminary expenses

| | | |
|-------------------------------|--------------|---------------|
| At cost | 78,179 | 78,179 |
| Less accumulated amortisation | (74,271) | (58,635) |
| | <u>3,908</u> | <u>19,544</u> |

Borrowing Costs

| | | |
|-------------------------------|--------------|--------------|
| At cost | 6,777 | 5,487 |
| Less accumulated amortisation | (1,782) | (661) |
| | <u>4,995</u> | <u>4,826</u> |

Prepaid Expenses

| | | |
|-------------------------------|--------------|--------------|
| At cost | 26,156 | 19,900 |
| Less accumulated amortisation | (19,400) | (15,420) |
| | <u>6,756</u> | <u>4,480</u> |

| | | |
|-------------------------|---------------|---------------|
| Total Intangible assets | <u>18,398</u> | <u>42,547</u> |
|-------------------------|---------------|---------------|

Movements in carrying amounts

Franchise fee

| | | |
|--------------------------------------------------|--------------|---------------|
| Balance at the beginning of the reporting period | 13,697 | 24,654 |
| Additions | - | - |
| Disposals | - | - |
| Amortisation expense | (10,958) | (10,957) |
| Balance at the end of the reporting period | <u>2,739</u> | <u>13,697</u> |

Preliminary expenses

| | | |
|--------------------------------------------------|--------------|---------------|
| Balance at the beginning of the reporting period | 19,544 | 35,198 |
| Additions | - | 7,812 |
| Disposals | - | - |
| Amortisation expense | (15,636) | (23,466) |
| Balance at the end of the reporting period | <u>3,908</u> | <u>19,544</u> |

Borrowing Costs

| | | |
|--------------------------------------------------|--------------|--------------|
| Balance at the beginning of the reporting period | 4,826 | 168 |
| Additions | 1,290 | 4,962 |
| Disposals | - | (106) |
| Amortisation expense | (1,121) | (198) |
| Balance at the end of the reporting period | <u>4,995</u> | <u>4,826</u> |

San Remo District Financial Services Limited

ACN 102 770 150

Notes to the financial statements

For the year ended 30 June 2015

| 9. Intangible assets (continued) | 2015 | 2014 |
|--------------------------------------------------|--------------|--------------|
| | \$ | \$ |
| <i>Prepaid Expenses</i> | | |
| Balance at the beginning of the reporting period | 4,480 | 8,460 |
| Additions | 6,256 | - |
| Disposals | - | - |
| Amortisation expense | (3,980) | (3,980) |
| Balance at the end of the reporting period | <u>6,756</u> | <u>4,480</u> |

10. Trade and other payables

Current

Unsecured liabilities:

| | | |
|------------------------------|----------------|---------------|
| Trade creditors | 10,210 | 2,205 |
| Other creditors and accruals | 221,531 | 51,993 |
| | <u>231,741</u> | <u>54,198</u> |

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

11. Borrowings

Current

| | | |
|---------------------------|---------------|---------------|
| Chattel Mortgages | 18,768 | 18,946 |
| Secured mortgage facility | 31,680 | 31,656 |
| | <u>50,448</u> | <u>50,602</u> |

Non-Current

| | | |
|---------------------------|----------------|----------------|
| Chattel Mortgages | 31,538 | 24,411 |
| Secured mortgage facility | 262,597 | 289,487 |
| | <u>294,135</u> | <u>313,898</u> |

The company does not have an overdraft facility.

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 4.69%. This loan has been created to fund the purchase of the bank premises in Cowes, Victoria and is secured by this premises.

12. Provisions

| | | |
|-------------------|---------------|---------------|
| Employee benefits | <u>55,731</u> | <u>84,359</u> |
|-------------------|---------------|---------------|

Movement in employee benefits

| | | |
|----------------------------------|----------------|---------------|
| Opening balance | 84,359 | 56,671 |
| Additional provisions recognised | 63,896 | 27,688 |
| Amounts utilised during the year | 28,628 | - |
| Closing balance | <u>176,883</u> | <u>84,359</u> |

| | | |
|------------------|---------------|---------------|
| Dividend payable | <u>63,896</u> | <u>93,799</u> |
|------------------|---------------|---------------|

Current

| | | |
|--------------------|----------------|----------------|
| Dividend payable | 63,896 | 93,799 |
| Annual leave | 32,646 | 52,482 |
| Long-service leave | 23,085 | 31,877 |
| | <u>119,627</u> | <u>178,158</u> |

Non-current

| | | |
|--------------------|----------|----------|
| Long-service leave | - | - |
| | <u>-</u> | <u>-</u> |

| | | |
|-------------------------|----------------|----------------|
| Total provisions | <u>119,627</u> | <u>178,158</u> |
|-------------------------|----------------|----------------|

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

12. Provisions (continued)

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. Tax balances | 2015 | 2014 |
|-----------------------------------|-----------------|---------------|
| | \$ | \$ |
| (a) Tax Assets | | |
| CURRENT | | |
| Income tax receivable | 16,722 | 25,310 |
| | <u>16,722</u> | <u>25,310</u> |
| (b) Tax Liabilities | | |
| CURRENT | | |
| Income tax payable | (25,550) | 68,919 |
| | <u>(25,550)</u> | <u>68,919</u> |
| NON-CURRENT | | |
| Deferred tax liability comprises: | | |
| Prepayments | - | (1,525) |
| Difference in Decline in Value | 15,339 | 20,129 |
| | <u>15,339</u> | <u>18,604</u> |

14. Share capital

| | | |
|-----------------------------------------------------------------------------|------------------|------------------|
| 650,011 Ordinary shares fully paid of \$1 each | 650,011 | 650,011 |
| 436,498 Ordinary shares fully paid of \$1 each issued for Cowes branch | 436,498 | 436,498 |
| 337,230 Ordinary shares fully paid of \$1 each issued for Grantville branch | 337,230 | 337,230 |
| 1:10 Bonus shares issued for no consideration | | |
| Less: Equity raising costs | - | - |
| | <u>1,423,739</u> | <u>1,423,739</u> |

Movements in share capital

| | | |
|------------------------------------------|------------------|------------------|
| Fully paid ordinary shares: | | |
| At the beginning of the reporting period | 1,423,739 | 1,423,739 |
| Reversal of equity raising costs | - | - |
| Shares issued during the year | - | - |
| At the end of the reporting period | <u>1,423,739</u> | <u>1,423,739</u> |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

14. Share capital (continued)

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

Capital management

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

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

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

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

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

| 15. Accumulated losses | 2015 | 2014 |
|--------------------------------------------------|--------------|--------------|
| | \$ | \$ |
| Balance at the beginning of the reporting period | (524) | (36,413) |
| Profit/(loss) after income tax | 65,030 | 125,213 |
| Dividends paid or proposed | (59,550) | (89,324) |
| Balance at the end of the reporting period | <u>4,956</u> | <u>(524)</u> |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

| | 2015 | 2014 |
|---------------------------------------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| 16. Statement of cash flows | | |
| <i>Reconciliation of cash flow from operations with profit after income tax</i> | | |
| Profit / (loss) after income tax | 65,030 | 125,213 |
| Non cash flows in profit | | |
| - Depreciation | 61,408 | 48,204 |
| - Net (profit)/loss from sale of plant and equipment | 3,475 | - |
| - Amortisation | 26,593 | 21,127 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | 373,019 | (31,350) |
| - (Increase) decrease in income tax payable | (94,469) | 29,226 |
| - (Increase) decrease in deferred tax asset/liabilities | 5,323 | (49,346) |
| - Increase (decrease) in payables | 88,559 | 30,910 |
| - Increase (decrease) in provisions | (122,426) | (66,649) |
| Net cash flows from/(used in) operating activities | <u>406,512</u> | <u>107,335</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,

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled

(c) Transactions with key management personnel and related parties

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

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

The San Remo Financial Services Limited has not accepted the Bendigo and 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 and 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 2015.

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 2015 \$29,931 (2014: \$29,334) was paid in relation to this lease.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

17. Related party transactions (continued)

Newhaven Hardware and Plant Hire, of which Terry Ashenden is a partner, received \$3,600 (2014: \$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

| | 2015 | 2014 |
|-------------------|-------------|-------------|
| 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 |
| Ray McNamara | 11,100 | 11,100 |

There was no movement in key management personnel shareholdings during the year. Each share held has a

(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 contingent 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, Phillip Island, Grantville and District, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

21. Company details

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

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

22. Earnings per share

2015

2014

\$

\$

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). There were no options or preference shares on issue during the year.

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

| | | |
|-------------------------------------------------------------------------------------|------------------|------------------|
| Profit/(loss) after income tax expense | <u>65,030</u> | <u>125,213</u> |
| Weighted average number of ordinary shares for basic and diluted earnings per share | <u>1,423,739</u> | <u>1,423,739</u> |

23. Dividends paid or provided for on ordinary shares

A fully franked final dividend of 4 cents per share has been provided for in respect of the year ended 30 June 2015.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

24. Financial risk management

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

| | Note | 2015 \$ | 2014 \$ |
|------------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | 6 | 896,822 | 606,291 |
| Trade and other receivables | 7 | 1,563 | 226,712 |
| Total financial assets | | <u>898,385</u> | <u>833,003</u> |
| Financial liabilities | | | |
| Trade and other payables | 10 | 231,741 | 54,198 |
| Borrowings | 11 | 344,583 | 364,500 |
| Total financial liabilities | | <u>576,324</u> | <u>418,698</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 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

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

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

Credit risk exposures

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

The company has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

24. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2014: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

| | 2015 \$ | 2014 \$ |
|-----------------------------------|----------------|----------------|
| Cash and cash equivalents: | | |
| A rated | <u>896,822</u> | <u>606,291</u> |

(b) Liquidity risk (continued)

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

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

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

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

Financial liability and financial asset maturity analysis:

| 30 June 2015 | | Total \$ | Within 1 year \$ | 1 to 5 years \$ | Over 5 years \$ |
|---------------------------------------------------------|------|----------------|------------------------|-----------------------|-----------------------|
| | Note | | | | |
| Financial liabilities due for payment | | | | | |
| Trade and other payables | 10 | 231,741 | 231,741 | - | - |
| Loans and borrowings | 11 | 344,583 | 50,448 | 126,720 | 167,415 |
| Total expected outflows | | <u>576,324</u> | <u>282,189</u> | <u>126,720</u> | <u>167,415</u> |
| Financial assets - cash flows realisable | | | | | |
| Cash and cash equivalents | 6 | 896,822 | 896,822 | - | - |
| Trade and other receivables | 7 | 1,563 | 1,563 | - | - |
| Total anticipated inflows | | <u>898,385</u> | <u>898,385</u> | <u>-</u> | <u>-</u> |
| Net (outflow)inflow on financial instruments | | <u>322,061</u> | <u>616,196</u> | <u>(126,720)</u> | <u>(167,415)</u> |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

24. Financial risk management (continued)

(b) Liquidity risk (continued)

| 30 June 2015 | | Total \$ | Within 1 year \$ | 1 to 5 years \$ | Over 5 years \$ |
|----------------------------------------------------------|----|----------------|------------------------|-----------------------|-----------------------|
| Financial liabilities due for payment | | | | | |
| Trade and other payables | 10 | 54,198 | 54,198 | - | - |
| Loans and borrowings | 11 | 25,039 | 11,824 | 13,215 | - |
| Total expected outflows | | <u>79,237</u> | <u>66,022</u> | <u>13,215</u> | <u>-</u> |
| Financial assets - cash flows realisable | | | | | |
| Cash and cash equivalents | 6 | 606,291 | 606,291 | - | - |
| Trade and other receivables | 7 | 153,206 | 153,206 | - | - |
| Total anticipated inflows | | <u>759,497</u> | <u>759,497</u> | <u>-</u> | <u>-</u> |
| Net (outflow)/inflow on financial instruments | | <u>680,260</u> | <u>693,475</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.

| Year ended 30 June 2015 | Profit \$ | Equity \$ |
|---------------------------------------------|----------------|----------------|
| +/- 1% in interest rates (interest income) | 1,657 | 1,657 |
| +/- 1% in interest rates (interest expense) | (2,943) | (2,943) |
| | <u>(1,286)</u> | <u>(1,286)</u> |
| Year ended 30 June 2014 | | |
| +/- 1% in interest rates (interest income) | 4,596 | 4,596 |
| +/- 1% in interest rates (interest expense) | (3,211) | (3,211) |
| | <u>1,385</u> | <u>1,385</u> |

San Remo District Financial Services Limited
ACN 102 770 150
Notes to the financial statements
For the year ended 30 June 2015

24. Financial risk management (continued)

(c) Market risk (continued)

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

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.

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.

| | | 2015 | | 2014 |
|------------------------------------|-------------|----------------------------|-------------------|----------------------------|
| | Note | Carrying amount | Fair value | Carrying amount |
| | | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents (i) | 6 | 896,822 | 896,822 | 606,291 |
| Trade and other receivables (i) | 7 | 1,563 | 1,563 | 226,712 |
| Total financial assets | | <u>898,385</u> | <u>898,385</u> | <u>833,003</u> |
| Financial liabilities | | | | |
| Trade and other payables (i) | 10 | 231,741 | 231,741 | 54,198 |
| Loans and borrowings | 11 | 344,583 | 344,583 | 364,500 |
| Total financial liabilities | | <u>576,324</u> | <u>576,324</u> | <u>418,698</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.

San Remo District Financial Services Limited
ACN 102 770 150
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 7 to 35 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 2015 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 10 September 2015.