

**San Remo District Financial Services Ltd**  
**Financial Statements**  
**as at**  
**30 June 2006**

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

Your Directors submit their report of the company for the financial year ended 30 June 2006.

**Directors**

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

Terry Ashenden  
Chairman  
Occupation - Business Proprietor

Bruce Adams  
Director  
Occupation - Cabinet Maker

Joan Matthews  
Director  
Occupation - Caravan Park Proprietor

Miranda Sage  
Director  
Occupation - Pharmacist

Norma Stack-Robinson  
Director  
Occupation - Retired

Caroline Talbot  
Director  
Occupation - Business Manager

Janice Rowlingson  
Director  
Occupation - Self employed

Bruce Procter (appointed 24 October 2005)  
Director  
Occupation - Retired

Doug Wain (resigned 30 August 2005)  
Director  
Occupation - Chief Executive Officer

Glenda Legg (resigned 29 November 2005)  
Director  
Occupation - Administrative Officer

Michael Dixon (appointed 30 January 2006)  
Director  
Occupation - Business Proprietor

Directors were in office for this entire year unless otherwise stated. No Directors have material interests in contracts or proposed contracts with the company. No Directors have acted as a Director of any other listed company over the last three years.

**Principal activities**

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

**Operating Results**

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was \$27,926 (2005: \$53,736).

**Significant changes in the state of affairs**

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

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

**Significant events after the balance date**

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

**Likely Developments**

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

**Directors' Benefits**

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 2006 \$22,000 (2005:\$18,667) was paid in relation to this lease.

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

**Executive Remuneration**

	<u>Primary</u> <u>Benefits</u> Salary & Fees \$	<u>Post</u> <u>Employment</u> Superannuation \$	<u>Other</u> *	<u>Total</u> \$
Fred Borg (Branch Manager)				
2006	42,869	5,271	5,661	53,801
2005	20,244	4,938	1,135	26,317
E Breasley (Branch Manager)				
2005	20,766	5,963	-	26,729

\* Other payments represent the total of monthly car lease payments. This vehicle was used by the branch manager during the year.

**Indemnification and Insurance of Directors and Officers**

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Managers of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

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

**Directors Meetings**

The number of Directors meetings attended by each of the Directors of the company during the year were:

**Number of Meetings Held:** 12

**Number of Meetings Attended:**

Terry Ashenden	12
Bruce Adams	11
Joan Matthews	11
Miranda Sage	8
Norma Stack-Robinson	11
Caroline Talbot	11
Janice Rowlingson	12
Bruce Procter (appointed 24 October 2005)	8
Doug Wain (resigned 30 August 2005)	0
Glenda Legg (resigned 29 November 2005)	1
Michael Dixon (appointed 30 January 2006)	4

**Company Secretary**

Catherine Rogerson has been the company secretary of San Remo District Financial Services Ltd for 1 year. Catherine Rogerson's qualifications and experience include administration in Commonwealth Government Primary and Secondary schools, and as a Committee Member of various clubs, preschools and school council.

**Corporate Governance**

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

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

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

**Auditor Independence Declaration**

The directors received the following declaration from the auditor of the company:

**Richmond Sinnott & Delahunty**  
**Chartered Accountants**



**10 Forest Street  
PO Box 30  
Bendigo, 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)**

**Auditor's Independence Declaration**

In relation to our audit of the financial report of San Remo District Financial Services Ltd for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott  
Partner  
Richmond Sinnott & Delahunty  
Bendigo  
8 September 2006**

Signed in accordance with a resolution of the Board of Directors at San Remo on 8 September 2006.

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Terry Ashenden, Chairman

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Income Statement**  
**for the year ended 30 June 2006**

	<u>Notes</u>	<b>2006</b> <b>\$</b>	<b>2005</b> <b>\$</b>
Revenues from ordinary activities	2	410,800	299,615
Employee benefits expense	3	(205,412)	(173,416)
Depreciation and amortisation expense	3	(49,322)	(52,729)
Finance costs	3	(1,400)	(1,723)
Other expenses from ordinary activities		<u>(183,368)</u>	<u>(143,369)</u>
<b>Loss before income tax expense</b>		(28,702)	(71,622)
Income tax benefit	4	<u>776</u>	<u>17,886</u>
<b>Loss after income tax expense</b>		<u><u>(27,926)</u></u>	<u><u>(53,736)</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for loss for the year	22	(4.30)	(8.27)
- diluted for loss for the year	22	(4.30)	(8.27)

The accompanying notes form part of these financial statements

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Balance Sheet**  
**As at 30 June 2006**

	<u>Notes</u>	<b>2006</b> <b>\$</b>	<b>2005</b> <b>\$</b>
<b>Current Assets</b>			
Cash assets	6	192,918	175,453
Receivables	7	40,500	24,539
Prepayments	8	8,000	12,000
<b>Total Current Assets</b>		<u>241,418</u>	<u>211,992</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	147,167	166,280
Deferred income tax asset	4	64,036	63,260
Intangibles	10	60,418	90,627
<b>Total Non-Current Assets</b>		<u>271,621</u>	<u>320,167</u>
<b>Total Assets</b>		<u>513,039</u>	<u>532,159</u>
<b>Current Liabilities</b>			
Payables	11	31,194	21,188
Interest bearing liabilities	12	5,312	4,899
Provisions	13	14,576	11,374
<b>Total Current Liabilities</b>		<u>51,082</u>	<u>37,461</u>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	12	11,490	16,305
<b>Total Non-Current Liabilities</b>		<u>11,490</u>	<u>16,305</u>
<b>Total Liabilities</b>		<u>62,572</u>	<u>53,766</u>
<b>Net Assets</b>		<u>450,467</u>	<u>478,393</u>
<b>Equity</b>			
Share capital	14	650,000	650,000
Accumulated losses	15	(199,533)	(171,607)
<b>Total Equity</b>		<u>450,467</u>	<u>478,393</u>

The accompanying notes form part of these financial statements

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Cash Flow Statement**  
**For the year ended 30 June 2006**

	<u>Notes</u>	<b>2006</b> <b>\$</b>	<b>2005</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		418,309	283,604
Cash payments in the course of operations		(402,728)	(317,152)
Interest paid		(1,400)	(1,723)
Interest received		7,257	8,217
<b>Net cash flows from/(used in) operating activities</b>	16b	<u>21,438</u>	<u>(27,054)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		-	(6,063)
<b>Net cash flows from/(used in) investing activities</b>		<u>-</u>	<u>(6,063)</u>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(3,973)	(4,149)
<b>Net cash flows from/(used in) financing activities</b>		<u>(3,973)</u>	<u>(4,149)</u>
<b>Net increase/(decrease) in cash held</b>		17,465	(37,266)
Add opening cash brought forward		175,453	212,719
<b>Closing cash carried forward</b>	16a	<u>192,918</u>	<u>175,453</u>

The accompanying notes form part of these financial statements



**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	650,000	650,000
Issue of share capital	-	-
Share issue costs	-	-
	<u>        </u>	<u>        </u>
<b>Balance at end of year</b>	<u><u>650,000</u></u>	<u><u>650,000</u></u>
 <b>RETAINED EARNINGS/(ACCUMULATED LOSSES)</b>		
Balance at start of year	(171,607)	(117,871)
Loss after income tax expense	<u>(27,926)</u>	<u>(53,736)</u>
<b>Balance at end of year</b>	<u><u>(199,533)</u></u>	<u><u>(171,607)</u></u>

The accompanying notes form part of these financial statements

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**1. Basis of preparation of the Financial Report**

**(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the directors on 8 September 2006.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

**(c) Summary of significant amended accounting policies**

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements. Also refer to note 1(e).

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

**Income tax**

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

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

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

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**1. Basis of preparation of the Financial Report (continued)**

**Income tax (continued)**

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

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

**Property, plant and equipment**

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

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

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

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

*Impairment*

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

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

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

**Recoverable amount of assets**

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

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**1. Basis of preparation of the Financial Report (continued)**

**(d) Impact of adoption of AIFRS**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

**Reconciliation of total equity as presented under AGAAP to that under AIFRS**

	<b>30-Jun 2005 \$</b>	<b>1-Jul 2004 \$</b>
Total equity under AGAAP	415,133	486,755
Recognition of deferred income tax asset (#)	<u>63,260</u>	<u>45,374</u>
Total equity under AIFRS	<u><u>478,393</u></u>	<u><u>532,129</u></u>

The above adjustment to equity will be reflected in retained earnings.

# A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

**Reconciliation of loss after tax presented under AGAAP to that under AIFRS**

	<b>Year Ended 30-Jun 2005 \$</b>
Loss after tax as previously reported (AGAAP)	(71,622)
Adjustment to income tax expense (#)	<u>17,886</u>
Loss after tax under AIFRS	<u><u>(53,736)</u></u>

# A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

**Explanation of material adjustments to the cash flow statement**

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**1. Basis of preparation of the Financial Report (continued)**

**(e) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

**Goods and services tax**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

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

**Employee Benefits**

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

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

**Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

**Cash**

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

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

**Comparative Figures**

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

**Revenue**

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

**San Remo District Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**1. Basis of preparation of the Financial Report (continued)**

**Receivables and Payables**

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

**Interest Bearing Liabilities**

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

**Provisions**

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

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

**Contributed 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.

**2. Revenue from ordinary activities**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	402,445	291,935
Total revenue from operating activities	<u>402,445</u>	<u>291,935</u>
Non-operating activities:		
- interest received	8,337	7,680
- other revenue	18	-
Total revenue from non-operating activities	<u>8,355</u>	<u>7,680</u>
Total revenue from ordinary activities	<u><u>410,800</u></u>	<u><u>299,615</u></u>

**San Remo District Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

<b>3. Expenses</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	180,002	150,434
- superannuation costs	15,657	20,211
- workers' compensation costs	705	727
- other costs	9,048	2,044
	<u>205,412</u>	<u>173,416</u>
Depreciation of non-current assets:		
- plant and equipment	5,753	5,678
- property improvements	8,420	7,902
- motor vehicles	4,041	4,041
- furniture and fittings	899	899
Amortisation of non-current assets:		
- intangibles	30,209	34,209
	<u>49,322</u>	<u>52,729</u>
Finance Costs:		
- Interest paid	1,400	1,723
Bad debts	1,299	204
<b>4. Income Tax Expense</b>		
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 30%	(8,611)	(21,487)
Add tax effect of:		
- Non-deductible expenses	7,835	3,601
<i>Current income tax expense / (benefit)</i>	<u>(776)</u>	<u>(17,886)</u>
Income tax expense / (benefit)	<u>(776)</u>	<u>(17,886)</u>
<b>Deferred income tax asset</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>64,036</u>	<u>63,260</u>

**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

<b>5. Auditors' Remuneration</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the company	3,650	-
	<u>3,650</u>	<u>-</u>
<b>6. Cash Assets</b>		
Cash at bank and on hand	<u>192,918</u>	<u>175,453</u>
<b>7. Receivables</b>		
Trade debtors	40,500	24,539
	<u>40,500</u>	<u>24,539</u>
<b>8. Prepayments</b>		
Staff training	8,000	12,000
	<u>8,000</u>	<u>12,000</u>
<b>9. Property, Plant and Equipment</b>		
<i>Furniture and fittings</i>		
At cost	4,631	4,631
Less accumulated depreciation	<u>(2,697)</u>	<u>(1,798)</u>
	<u>1,934</u>	<u>2,833</u>
<i>Motor vehicles</i>		
At cost	26,936	26,936
Less accumulated depreciation	<u>(9,948)</u>	<u>(5,907)</u>
	<u>16,988</u>	<u>21,029</u>
<i>Plant and equipment</i>		
At cost	42,127	42,127
Less accumulated depreciation	<u>(17,026)</u>	<u>(11,273)</u>
	<u>25,101</u>	<u>30,854</u>
<i>Building improvements</i>		
At cost	126,976	126,976
Less accumulated depreciation	<u>(23,832)</u>	<u>(15,412)</u>
	<u>103,144</u>	<u>111,564</u>
Total written down amount	<u>147,167</u>	<u>166,280</u>
<b>Movements in carrying amounts</b>		
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	2,833	3,732
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(899)</u>	<u>(899)</u>
Carrying amount at end of year	<u>1,934</u>	<u>2,833</u>



**San Remo District Financial Services Ltd**  
**ABN 20 102 770 150**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

<b>9. Property, Plant and Equipment (continued)</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts (continued)</b>		
<i>Motor vehicles</i>		
Carrying amount at beginning of year	21,029	25,070
Additions	-	-
Disposals	-	-
Depreciation expense	(4,041)	(4,041)
Carrying amount at end of year	<u>16,988</u>	<u>21,029</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	30,854	35,669
Additions	-	863
Disposals	-	-
Depreciation expense	(5,753)	(5,678)
Carrying amount at end of year	<u>25,101</u>	<u>30,854</u>
<i>Building improvements</i>		
Carrying amount at beginning of year	111,564	114,266
Additions	-	5,200
Disposals	-	-
Depreciation expense	(8,420)	(7,902)
Carrying amount at end of year	<u>103,144</u>	<u>111,564</u>
 <b>10. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less accumulated amortisation	(36,000)	(24,000)
	<u>24,000</u>	<u>36,000</u>
<i>Preliminary Expenses</i>		
At cost	91,045	91,045
Less accumulated amortisation	(54,627)	(36,418)
	<u>36,418</u>	<u>54,627</u>
	<u>60,418</u>	<u>90,627</u>
 <b>11. Payables</b>		
Trade creditors	11,562	8,279
Other creditors and accruals	19,632	12,909
	<u>31,194</u>	<u>21,188</u>
 <b>12. Interest Bearing Liabilities</b>		
<i>Current</i>		
Mastercard	497	429
Chattel mortgage	4,815	4,470
	<u>5,312</u>	<u>4,899</u>
<i>Non-current</i>		
Chattel mortgage	11,490	16,305
	<u>11,490</u>	<u>16,305</u>

**San Remo District Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>13. Provisions</b>		
Employee benefits	<u>14,576</u>	<u>11,374</u>
Number of employees at year end	<u>7</u>	<u>6</u>
<b>14. Share Capital</b>		
650,000 Ordinary Shares fully paid of \$1 each	<u>650,000</u>	<u>650,000</u>
<b>15. Accumulated Losses</b>		
Balance at the beginning of the financial year	(171,607)	(117,871)
Loss after income tax	<u>(27,926)</u>	<u>(53,736)</u>
Balance at the end of the financial year	<u>(199,533)</u>	<u>(171,607)</u>
<b>16. Cash Flow Statement</b>		
<b>(a) Reconciliation of cash</b>		
Cash assets	<u>192,918</u>	<u>175,453</u>
<b>(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities</b>		
Loss after income tax	(27,926)	(53,736)
Non cash items		
- Depreciation	19,113	18,520
- Amortisation	30,209	34,209
Changes in assets and liabilities		
- (Increase) decrease in receivables	(11,961)	(12,879)
- Increase (decrease) in payables	9,577	3,846
- Increase (decrease) in provisions	3,202	872
- (Increase) decrease in deferred income tax assets	(776)	(17,886)
Net cashflows from/(used in) operating activities	<u>21,438</u>	<u>(27,054)</u>

**17. Director and Related Party Disclosures**

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

Terry Ashenden  
Bruce Adams  
Joan Matthews  
Miranda Sage  
Norma Stack-Robinson  
Caroline Talbot  
Janice Rowlingson  
Bruce Procter (appointed 24 October 2005)  
Doug Wain (resigned 30 August 2005)  
Glenda Legg (resigned 29 November 2005)  
Michael Dixon (appointed 30 January 2006)

**San Remo District Financial Services Ltd**  
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**17. Director and Related Party Disclosures (continued)**

Joan Matthews is a Director of and Shareholder in Park Accomodation (Vic) Pty Ltd, which owns the premises situated at 103A Marine Parade, San Remo. The Company has entered into a lease arrangement with Park Accomodation (Vic) Pty Ltd with regard to these premises. During the year ended 30 June 2006 \$22,000 (2005:\$18,667) was paid in relation to this lease.

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

<b>Directors shareholdings</b>	<b>2006</b>	<b>2005</b>
Terry Ashenden	5,000	5,000
Bruce Adams	1,000	1,000
Joan Matthews	8,000	8,000
Miranda Sage	5,000	5,000
Norma Stack-Robinson	5,000	5,000
Caroline Talbot	2,000	2,000
Janice Rowlingson	5,000	5,000
Bruce Procter (appointed 24 October 2005)	-	-
Doug Wain (resigned 30 August 2005)	1,000	1,000
Glenda Legg (resigned 29 November 2005)	1,000	1,000
Michael Dixon (appointed 30 January 2006)	-	-

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

**Executive Remuneration**

	<u>Primary</u> Benefits Salary & Fees \$	<u>Post</u> <u>Employment</u> Superannuation \$	<u>Other *</u> \$	<u>Total</u> \$
Fred Borg (Branch Manager)				
2006	42,869	5,271	5,661	53,801
2005	20,244	4,938	1,135	26,317
E Breasley (Branch Manager)				
2005	20,766	5,963	-	26,729

\* Other payments represent the total of monthly car lease payments. This vehicle was used by the branch manager during the year.

**18. Subsequent Events**

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

**19. Contingent Liabilities**

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

**San Remo District Financial Services Ltd**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2006**

**20. Segment Reporting**

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being San Remo and Phillip Island.

**21. Corporate Information**

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

The registered office and principal place of business is: 103A Marine Parade  
San Remo VIC 3935

**22. Earnings per share**

	<b>2006</b>	<b>2005</b>
	\$	\$

Basic earnings per share amounts are calculated by dividing 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:

Loss after income tax expense	<u>(27,926)</u>	<u>(53,736)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>650,000</u>	<u>650,000</u>

**San Remo District Financial Services Ltd**  
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**For the year ended 30 June 2006**

**23. Financial Instruments**

**Net Fair Values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at year end.

**Credit Risk**

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**Interest Rate Risk**

Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2006	2005	2006	2005	2006	2005				
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial Assets</b>												
Cash assets	192,918	175,453	-	-	-	-	-	-	-	-	4.8	4.8
Receivables	-	-	-	-	-	-	-	-	40,500	24,539	-	N/A
<b>Financial Liabilities</b>												
Payables	-	-	-	-	-	-	-	-	31,194	21,188	-	N/A
Interest bearing liabilities	497	429	4,815	4,470	11,490	16,305	-	-	-	-	7.47	7.47

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

In accordance with a resolution of the directors of San Remo District Financial Services Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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Terry Ashenden, Chairman

Signed at San Remo on the 8th of September 2006.