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Mission statement

Provide a full banking service, focusing on improving the prospects of our customers, communities and partnerships, in order to develop the business and provide increasing benefits to our communities and Shareholders.

Chairperson's report

For year ending 30 June 2006

Our Annual General Meeting will be held at the San Remo Bowling Club on Monday 23 October at 7.30pm.

The third complete year of business exceeded expectations which enabled us to continue sponsorship throughout our community to the tune of \$14,000. The previous two years we handed out \$7,000 so it has been a healthy increase.

Seeing the business flourishing and knowing we are getting closer to much larger grants and a dividend to Shareholders is all that is needed to make myself and my fellow Directors know that our community is gaining much benefit from our initial **Community Bank**[®] vision.

On behalf of the Board and our Shareholders I pass on our gratitude to the Manager and staff for their professionalism and exceptional service. Thanks to Fred Borg, Trudy Jamieson, Di Clark, Sally Croker, Marcia Wilson, Kellie Sherwood and also to Chabrelle Hamilton who left us during the year.

I also extend my thanks to our franchise partner, Bendigo Bank, their encouragement and advice has been most beneficial. Our Directors have had added value through attending various training sessions and seminars during the year. My special thanks to all of the Bendigo staff who have assisted so willingly during this time.

Thank you to my fellow Directors, who have contributed throughout the year and a special mention to Catherine Rogerson who has been our Company Secretary since December.

In conclusion, I extend a warm welcome to all Shareholders to attend our AGM and I look forward to chatting to you all over supper at the end of the meeting.



Terry Ashenden
Chairman

Manager's report

For year ending 30 June 2006

It seems like yesterday that I presented my first Manager's Report in June 2005 and it is extremely pleasing to see the business going from strength to strength. We have exceeded all our expectations over the last 12 months and the momentum continues.

I have noticed a refreshing change in the approach to our customers – with our point of difference of exceptional customer service and the option of face-to-face banking welcomed by all. We genuinely enjoy assisting our customers and we look forward to further strengthening those relationships.

As some of you may already know, I have been seeking treatment for an illness over the last few weeks and this alone has brought about new challenges on a personal level. Thank you to everyone for your kind wishes and support during this time.

It is pleasing to see the new Cowes steering committee has been formed and has commenced the **Community Bank**[®] campaign pledge process. Based on the outcome of interest received, the feasibility study should indicate a strong interest in a **Community Bank**[®] Branch for Cowes. I would like to congratulate all those involved on the steering committee and thank them for their commitment and dedication in ensuring seeing a **Community Bank**[®] for Cowes becomes a reality.

Over the last 12 months I have attended Bendigo Bank's **Community Bank**[®] network conferences and have spoken to other **Community Bank**[®] Branch Managers and have seen the benefits that community banking brings to local areas by way of providing funding for schools, hospitals, sports stadium and community buses. The Board of San Remo District Financial Services, staff and I are excited about the prospects that we can achieve together in meeting our community needs.

Finally, I would like to take this opportunity to thank Bendigo Bank staff for all their assistance. Also a special thank you to the Board of Directors of the San Remo District Financial Services, our Shareholders, customers, and my staff Trudy, Dianne, Sally, Kelly and Marcia, who believe in the **Community Bank**[®] concept and have the community spirit to make it a lasting success.



Fred Borg
Manager

Bendigo Bank Ltd report

For year ending 30 June 2006

What a brilliant year for our **Community Bank**[®] network.

During 2005/06, we increased the number of **Community Bank**[®] branches across Australia by 27 and continued to inject vital funds back into local communities.

And demand for the **Community Bank**[®] model across all states and territories across Australia has not wavered – we are currently working with dozens of rural, regional and suburban communities to bring the success of **Community Bank**[®] to their towns.

It is just over eight years since the **Community Bank**[®] network began as a pilot in the Victorian towns of Rupanyup and Minyip, and we now have 182 **Community Bank**[®] branches.

Those branches have:

- Returned more than \$6 million to local communities and projects;
- Paid almost \$4.5 million in dividends to more than 14,000 local Shareholders;
- Received more than \$220 million from Bendigo Bank, including \$76 million in the past year;
- Spent almost \$36 million in their local communities on salaries, rent, cleaning and other operating costs;
- Service more than 480,000 accounts; and
- Have almost \$8 billion of banking business

A renewed focus on community engagement has also played a huge part in the **Community Bank**[®] network during the past year.

As part of an internal Bendigo Bank re-structure, thirteen regions became 27 and, more importantly to your community, our **Community Bank**[®] branches were brought in under our regional Managers, who now have total responsibility for staff, sales and service for the Bank's complete suite of products.

It means we are having more conversations about adding value for customers and we are becoming even more closely aligned with the aspirations of the communities we serve.

Many **Community Bank**[®] Boards are looking to implement community telco solutions to retain even more local capital in their own regions for local projects.

And, in Victoria, two communities that have already succeeded by opening and operating **Community Bank**[®] branches, have now formed Community Enterprise™ steering committees to pilot bio-diesel distribution models, with the ultimate view of operating local bio-diesel production plants.

Eight years after the inception of **Community Bank**[®] branches, Bendigo Bank is still as proud as ever to partner local communities just like yours.

Bendigo Bank Ltd report continued

Congratulations go to the San Remo community Board for their hard work and dedication over the past year; and also to your dedicated team of branch staff for providing the highest level of customer service.

Thanks also go to you, the hundreds of Shareholders and customers of the San Remo District **Community Bank**[®] Branch, for making this exciting community partnership possible.

Russell Carrick
Gippsland Regional Manager
Bendigo Bank

Directors' report

For year ending 30 June 2006

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

Joan Matthews

Director

Occupation - Caravan Park Proprietor

Norma Stack-Robinson

Director

Occupation - Retired

Janice Rowlingson

Director

Occupation - Self employed

Doug Wain (resigned 30 August 2005)

Director

Occupation - Chief Executive Officer

Michael Dixon (appointed 30 January 2006)

Director

Occupation - Business Proprietor

Bruce Adams

Director

Occupation - Cabinet Maker

Miranda Sage

Director

Occupation - Pharmacist

Caroline Talbot

Director

Occupation - Business Manager

Bruce Procter (appointed 24 October 2005)

Director

Occupation - Retired

Glenda Legg (resigned 29 November 2005)

Director

Occupation - Administrative Officer

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).

Directors' report continued

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.

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

	Primary benefits salary & fees \$	Post employment superannuation \$	Other \$	*Total \$
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.

Directors' report continued

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.

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.

Directors' report continued

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.



T. S. Ashenden
Chairperson

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
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		(183,368)	(143,369)
Loss before income tax expense		(28,702)	(71,622)
Income tax benefit	4	776	17,886
Loss after income tax expense		(27,926)	(53,736)
Earnings per share (cents per share)			
- 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.

Financial statements continued

Balance sheet

As at 30 June 2006

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

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
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
Net cash flows from/(used in) operating activities	16b	21,438	(27,054)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(6,063)
Net cash flows from/(used in) investing activities		-	(6,063)
Cash flows from financing activities			
Repayment of borrowings		(3,973)	(4,149)
Net cash flows from/(used in) financing activities		(3,973)	(4,149)
Net increase/(decrease) in cash held		17,465	(37,266)
Add opening cash brought forward		175,453	212,719
Closing cash carried forward	16a	192,918	175,453

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
Share capital			
Ordinary shares			
Balance at start of year		650,000	650,000
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		650,000	650,000
Retained earnings/(accumulated losses)			
Balance at start of year		(171,607)	(117,871)
Loss after income tax expense		(27,926)	(53,736)
Balance at end of year		(199,533)	(171,607)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

(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.

Notes to financial statements continued

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.

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:

Class of asset	Depreciation rate
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.

Notes to financial statements continued

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.

(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

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

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

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

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

Notes to financial statements 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).

Notes to financial statements 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.

	2006	2005
	\$	\$

Note 2: Revenue from ordinary activities

Operating activities

- services commissions	402,445	291,935
Total revenue from operating activities	402,445	291,935
Non-operating activities:		
- interest received	8,337	7,680
- other revenue	18	-
Total revenue from non-operating activities	8,355	7,680
Total revenue from ordinary activities	410,800	299,615

Notes to financial statements continued

	2006	2005
	\$	\$
Note 3: Expenses		
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
	205,412	173,416
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
	49,322	52,729
Finance costs:		
- Interest paid	1,400	1,723
Bad debts	1,299	204

Notes to financial statements continued

	2006 \$	2005 \$
4. Income tax expense		
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
Current income tax expense / (benefit)	(776)	(17,886)
Income tax expense / (benefit)	(776)	(17,886)
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	64,036	63,260

Note 5: Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	-
	3,650	-

Note 6: Cash assets

Cash at bank and on hand	192,918	175,453
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Note 7: Receivables

Trade debtors	40,500	24,539
	40,500	24,539

Note 8: Prepayments

Staff training	8,000	12,000
	8,000	12,000

Notes to financial statements continued

	2006 \$	2005 \$
Note 9: Property, plant and equipment		
Furniture and fittings		
At cost	4,631	4,631
Less accumulated depreciation	(2,697)	(1,798)
	1,934	2,833
Motor vehicles		
At cost	26,936	26,936
Less accumulated depreciation	(9,948)	(5,907)
	16,988	21,029
Plant and equipment		
At cost	42,127	42,127
Less accumulated depreciation	(17,026)	(11,273)
	25,101	30,854
Building improvements		
At cost	126,976	126,976
Less accumulated depreciation	(23,832)	(15,412)
	103,144	111,564
Total written down amount	147,167	166,280
Movements in carrying amounts		
Furniture and fittings		
Carrying amount at beginning of year	2,833	3,732
Additions	-	-
Disposals	-	-
Depreciation expense	(899)	(899)
Carrying amount at end of year	1,934	2,833

Notes to financial statements continued

	2006 \$	2005 \$
Note 9: Property, plant and equipment continued		
Motor vehicles		
Carrying amount at beginning of year	21,029	25,070
Additions	-	-
Disposals	-	-
Depreciation expense	(4,041)	(4,041)
Carrying amount at end of year	16,988	21,029
Plant and equipment		
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	25,101	30,854
Building improvements		
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	103,144	111,564

Note 10: Intangible assets

Franchise fee

At cost	60,000	60,000
Less accumulated amortisation	(36,000)	(24,000)
	24,000	36,000

Preliminary expenses

At cost	91,045	91,045
Less accumulated amortisation	(54,627)	(36,418)
	36,418	54,627
	60,418	90,627

Notes to financial statements continued

	2006	2005
	\$	\$

Note 11: Payables

Trade creditors	11,562	8,279
Other creditors and accruals	19,632	12,909
	31,194	21,188

Note 12: Interest bearing liabilities

Current

Mastercard	497	429
Chattel mortgage	4,815	4,470
	5,312	4,899

Non-current

Chattel mortgage	11,490	16,305
	11,490	16,305

Note 13: Provisions

Employee benefits	14,576	11,374
Number of employees at year end	7	6

Note 14: Share capital

650,000 Ordinary Shares fully paid of \$1 each	650,000	650,000
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Note 15: Accumulated losses

Balance at the beginning of the financial year	(171,607)	(117,871)
Loss after income tax	(27,926)	(53,736)
Balance at the end of the financial year	(199,533)	(171,607)

Notes to financial statements continued

	2006	2005
	\$	\$
Note 16: Cash flow statement		
(a) Reconciliation of cash		
Cash assets	192,918	175,453
(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities		
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 cash flows from/(used in) operating activities	21,438	(27,054)

Note 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)

Notes to financial statements continued

Note 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.

Directors Shareholdings	2006	2005
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

	Primary benefits salary & rees \$	Post employment superannuation \$	Other * \$	Total \$
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.

Notes to financial statements continued

Note 18: Subsequent events

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

Note 19: Contingent liabilities

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

Note 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.

Note 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

	2006	2005
	\$	\$

Note 22: Earnings per share

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	(27,926)	(53,736)
Weighted average number of ordinary shares for basic and diluted earnings per share	650,000	650,000

Notes to financial statements continued

Note 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		Fixed interest rate maturing in				Non Interest bearing		Weighted average effective interest rate			
	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial assets

Cash assets	192,918	175,453	-	-	-	-	-	-	-	-	4.8	4.8
Receivables	-	-	-	-	-	-	-	-	40,500	24,539	-	N/A

Financial liabilities

Payables	-	-	-	-	-	-	-	-	31,194	21,188	-	N/A
Interest bearing liabilities	497	429	4,815	4,470	11,490	16,305	-	-	-	-	7.47	7.47

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.



Terry Ashenden
Chairman

Signed at San Remo on 8 September 2006.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



Independent Audit Report to the Members of
San Remo District Financial Services Limited

10 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for San Remo District Financial Services Limited, for the year ended 30 June 2006.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independent audit report continued

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Directors and management of the Company.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of San Remo District Financial Services Limited is in accordance with:

- (a) 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 its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



W. J. SINNOTT

Partner

Bendigo

Date: 8 September 2006

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 20 September 2006.

A. Corporate Governance Statement

The board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our company into the future. We believe that building policy framework will assist clarify the future direction of our local company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

B. Substantial Shareholders – Ten largest shareholders

	Ordinary Shares	Number of Ord Shares
1. Mr Doug & Mrs Joy Adams	10,000	1.54%
2. Carruthers Pharmaceuticals P/L	10,000	1.54%
3. Dickie R & J [Super Fund No. 2]	10,000	1.54%
4. P.J. Foden	10,000	1.54%
5. P & M Herrington	10,000	1.54%
6. G.R. Judd	10,000	1.54%
7. A & E Kimber	10,000	1.54%
8. G.M. Legg	10,000	1.54%
9. Morgeo Nominees P/L	10,000	1.54%
10. A.C. O'Brien	10,000	1.54%
	100,000	15.4%

C. Voting Rights

Each shareholder has one vote

BSX report continued

D. Distribution of Shareholders

The number of shareholders, by size of holding, is:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	267	179,458
1,001 - 5,000	105	351,552
5,001 - 10,000	13	119,001
10,001 - 100,000	-	-
100,001 and over	-	-
Total	385	650,011

There are no shareholders holding less than a marketable parcel of shares.

E. Monitoring of the Board's Performance and Communication to Shareholders In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all Director's is reviewed annually by the chairperson. Director's whose performance is unsatisfactory are asked to retire. The Board and Director's aims to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. The Board does have an Audit Committee.

F. Address and telephone number of the Office which securities register is kept:

Bendigo Bank Limited

Share Registry Office

Fountain Court

BENDIGO 3552

Telephone: 03 5433 9339

G. San Remo District Financial Services Limited

Catherine Rogerson

Company Secretary

103a Marine Parade

SAN REMO Victoria 3925

Telephone: 03 5956 7658