

2008 annual report



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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.

Chairman's report

For year ending 30 June 2008

Our Annual General Meeting will be held at The Chocolate Factory at Newhaven on Monday, 27 October at 7.30pm.

Our **Community Bank**[®] branch has completed five years of business most successfully, and the birthday celebrations were a chance to share this milestone with customers and shareholders.

During the last twelve months we contributed more than \$98,000 in the form of sponsorships, grants and charitable donations; a most gratifying outcome as we look forward to a profitable future.

The staff position has remained unchanged with all contributing in their friendly, courteous manner which has no doubt helped our overall position. I thank them for their wonderful efforts.

Of the three new Directors elected at our 2007 AGM, one has resigned to relocate to Queensland. I thank the entire Board for the effort they have put in this year; many have also served on steering committees for Cowes and Grantville.

To our franchise partner Bendigo Bank, especially the staff at the Gippsland Regional office, thank you for another great year of assistance and advice.

Within the next twelve months our Cowes **Community Bank**[®] Branch should be open, with the bricks and mortar now taking shape. Grantville has more than \$160,000 in pledges and are actively working to make their dream become a reality. The steering committees of both Cowes and Grantville are putting in countless hours and I know their hard work will be fruitful.

The bonus issue of shares was distributed to benefit our present shareholders and to acknowledge their great assistance and loyalty in our first five years. The valuation of the Company was done as at 31 December 2007 to enable this bonus issue to be assessed. We also expect to declare another dividend in the near future.

I extend a warm welcome to all shareholders to attend the AGM and join us for supper at the conclusion of the meeting.



Terry Ashenden
Chairman

Manager's report

For year ending 30 June 2008

It is with great pleasure that I present the following results for the financial year ended 30 June 2008 on behalf of the San Remo District and Cowes **Community Bank**[®] Branch.

The past year saw many challenges across the financial industry with increasing interest rates, sub prime markets collapsing overseas and people generally struggling with day to day expenses. I am pleased to report that we have come through these difficult times and have produced some amazing results.

- Our total footings increased by \$14,993,000 or 23.70% to \$78,250,000
- Our lending volumes were up by more than \$7,000,000 or 27%
- Our deposit volumes increased \$6,000,000 or 21%
- For the first time, our branch received a commendable report across all key performance indicators
- Our branch received an outstanding service award at the 2008 Bass Coast Shire Business awards
- We celebrated our fifth birthday in June and it was a great success
- We handed more than \$63,000 at our grants nights to various clubs, schools, emergency service organisations as well as more than \$35,000 in sponsorships throughout the year
- The total contribution from your **Community Bank**[®] branch to the community since we opened is now \$177,893

These figures are only possible to achieve with support from our community and you, the shareholders, and for this I thank you. With your continued support and with the projects of our Cowes and Grantville branches, the future looks very bright.

Thank you to the Board of Directors (especially Terry Ashenden) for all of their voluntary support. These people put in countless unpaid hours to make sure that everything runs smoothly and they make my job so much easier.

Also, a huge thankyou to our amazing staff. Trudy, Di, Sally, Marcia and Kath do a fantastic job and provide excellent service to all the customers who conduct their banking with us. They too, do many unpaid hours of community work outside of their normal day to day tasks and for this they should be applauded.

We encourage you to continue to spread the word about what the San Remo District and Cowes **Community Bank**[®] Branch can do for not only you, but the community that you live in. With your continued and ever increasing support, we will continue to prosper and continue to make a fabulous contribution to this amazing area that we are all part of.



Michael Scott
Branch Manager

Bendigo Bank Ltd report

For year ending 30 June 2008

Celebrating 10 years of the **Community Bank**[®] Network

June 2008 marks ten years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first **Community Bank**[®] branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – the **Community Bank**[®] concept. It is a significant milestone for Bendigo Bank and our **Community Bank**[®] partners.

The number of **Community Bank**[®] branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion.

More importantly, in excess of \$18 million in **Community Bank**[®] branch profits have been returned to community projects and \$12 million has been paid in dividends to more than 50,000 local shareholders. Behind those numbers are hundreds of stories of **Community Bank**[®] branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these **Community Bank**[®] branches are helping improve the economic and social prospects of their local communities. Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners. The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community.

Your commitment, enthusiasm and belief in the **Community Bank**[®] model has been instrumental, and for that we thank you. And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the **Community Bank**[®] network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.



Russell Jenkins

Chief General Manager Retail & Distribution

Director's report

For year ending 30 June 2008

Your Directors submit their report of the Company for the financial year ended 30 June 2008.

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 (resigned 29/10/2007)

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

Director

Occupation - Retired

David Harrison

Director

Occupation - Retired

Sue Becker (appointed 29/10/2007)

Director

Occupation - School Principal

Craig Semple

(appointed 29/10/2007)

Director

Occupation - Minister of Religion

Paul Crosby

(appointed 29/10/2007, resigned 26/05/08)

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 Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Director's report continued

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$68,416 (2007: \$16,997).

| Dividends | Year ended 30 June 2008 | |
|---|-------------------------|--------|
| | Cents Per Share | \$ |
| Dividends paid in the year: | | |
| - As recommended in the prior year report | 2 | 13,000 |

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

We have issued bonus shares of 1 for 10 as at 15 August 2008.

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 2008 \$22,167 (2007: \$22,000) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$300 (2007: \$1,800) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

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

Director's report continued

Executive remuneration

| | Primary benefits salary & fees \$ | Post employment superannuation \$ | Other * \$ | Total \$ |
|--------------------------------|---|---|---------------|-------------|
| Michael Scott (Branch Manager) | | | | |
| 2008 | 74,485 | 6,480 | 6,183 | 87,148 |
| 2007 | 42,923 | 3,863 | 6,885 | 53,671 |
| Fred Borg (Branch Manager) | | | | |
| 2007 | 15,037 | 1,128 | 2,951 | 19,116 |

* Other payments represent the total of monthly car lease payments. This vehicle is used by the Branch Manager and other staff 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.

Directors meetings

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

| | |
|---|-----------|
| Number of meetings held: | 14 |
| Number of meetings attended: | |
| Terry Ashenden | 14 |
| Bruce Adams (resigned 29/10/2007) | 5 |
| Joan Matthews | 9 |
| Miranda Sage | 7 |
| Norma Stack-Robinson | 12 |
| Caroline Talbot | 11 |
| Janice Rowlingson | 13 |
| Bruce Procter | 13 |
| David Harrison | 12 |
| Sue Becker (appointed 29/10/2007) | 6 |
| Paul Crosby (appointed 29/10/2007, resigned 26/05/08) | 7 |
| Craig Semple (appointed 29/10/2007) | 9 |

Director's report continued

Company Secretary

Catherine Rogerson has been the Company Secretary of San Remo District Financial Services Ltd for 2 years. 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 M. Scott;
- (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.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

5 September 2008

The Directors
San Remo District Financial Services Limited
PO Box 101
San Remo VIC 3925

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of San Remo District Financial Services Limited for the year ended 30 June 2008, 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

Signed in accordance with a resolution of the Board of Directors at San Remo on 5 September 2008.



Terry Ashenden
Chairman

Financial statements

Income statement For year ending 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|---|------|----------------|---------------|
| Revenues from ordinary activities | 2 | 690,489 | 549,249 |
| Employee benefits expense | 3 | (246,196) | (232,659) |
| Charitable donations and sponsorship | | (96,856) | (24,490) |
| Depreciation and amortisation expense | 3 | (49,045) | (49,164) |
| Finance costs | 3 | (1,206) | (1,055) |
| Other expenses from ordinary activities | | (186,234) | (207,884) |
| Profit before income tax expense | | 110,952 | 33,997 |
| Income tax expense | 4 | 42,536 | 17,000 |
| Profit after income tax expense | | 68,416 | 16,997 |
| Earnings per share (cents per share) | | | |
| - basic for profit for the year | 23 | 10.53 | 2.61 |
| - diluted for profit for the year | 23 | 10.53 | 2.61 |
| - dividend paid per share | 22 | 2.00 | - |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash assets | 6 | 395,098 | 273,277 |
| Receivables | 7 | 59,081 | 44,031 |
| Prepayments | 8 | 4,447 | 4,944 |
| Total current assets | | 458,626 | 322,252 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 131,419 | 128,212 |
| Deferred income tax asset | 4 | 4,500 | 47,036 |
| Intangibles | 10 | 372 | 30,209 |
| Total non-current assets | | 136,291 | 205,457 |
| Total assets | | 594,917 | 527,709 |
| Current liabilities | | | |
| Payables | 11 | 38,215 | 30,759 |
| Interest bearing liabilities | 12 | 6,497 | 11,490 |
| Provisions | 13 | 21,194 | 17,996 |
| Total current liabilities | | 65,906 | 60,245 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 12 | 13,012 | - |
| Total non-current liabilities | | 13,012 | - |
| Total liabilities | | 78,918 | 60,245 |
| Net assets | | 515,999 | 467,464 |
| Equity | | | |
| Share capital | 14 | 643,119 | 650,000 |
| Accumulated losses | 15 | (127,120) | (182,536) |
| Total equity | | 515,999 | 467,464 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--|------------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 715,802 | 580,034 |
| Cash payments in the course of operations | | (574,412) | (504,000) |
| Interest paid | | (1,206) | (1,055) |
| Interest received | | 17,142 | 10,692 |
| Net cash flows from operating activities | 16b | 157,326 | 85,671 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant & equipment | | 9,577 | - |
| Purchase of property, plant & equipment | | (32,848) | - |
| Purchase of intangible assets | | (372) | - |
| Net cash flows used in investing activities | | (23,643) | - |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | - | (5,312) |
| Proceeds from borrowings | | 8,019 | - |
| Dividends paid | | (13,000) | - |
| Payment for equity raising costs | | (6,881) | - |
| Net cash flows used in financing activities | | (11,862) | (5,312) |
| Net increase in cash held | | 121,821 | 80,359 |
| Add opening cash brought forward | | 273,277 | 192,918 |
| Closing cash carried forward | 16a | 395,098 | 273,277 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|---------------------------------|------|------------------|------------------|
| SHARE CAPITAL | | | |
| Ordinary shares | | | |
| Balance at start of year | | 650,000 | 650,000 |
| Issue of share capital | | - | - |
| Share issue costs | | (6,881) | - |
| Balance at end of year | | 643,119 | 650,000 |
| Accumulated losses | | | |
| Balance at start of year | | (182,536) | (199,533) |
| Profit after income tax expense | | 68,416 | 16,997 |
| Dividends paid or proposed | | (13,000) | - |
| Balance at end of year | | (127,120) | (182,536) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 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 5 September 2008.

(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.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

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.

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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).

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

Note 2. Revenue from ordinary activities

Operating activities

| | | |
|--|----------------|----------------|
| - services commissions | 672,011 | 538,977 |
| Total revenue from operating activities | 672,011 | 538,977 |
| Non-operating activities: | | |
| - interest received | 17,751 | 10,272 |
| - other revenue | 727 | - |
| Total revenue from non-operating activities | 18,478 | 10,272 |
| Total revenue from ordinary activities | 690,489 | 549,249 |

Note 3. Expenses

Employee benefits expense

| | | |
|-------------------------------|----------------|----------------|
| - wages and salaries | 218,807 | 204,885 |
| - superannuation costs | 19,196 | 17,470 |
| - workers' compensation costs | 668 | 792 |
| - other costs | 7,525 | 9,512 |
| | 246,196 | 232,659 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|---------------|---------------|
| Note 3. Expenses (continued) | | |
| Depreciation of non-current assets: | | |
| - plant and equipment | 5,301 | 5,595 |
| - property improvements | 8,420 | 8,420 |
| - motor vehicles | 4,227 | 4,041 |
| - furniture and fittings | 888 | 899 |
| Amortisation of non-current assets: | | |
| - intangibles | 30,209 | 30,209 |
| | 49,045 | 49,164 |
| Finance Costs: | | |
| - Interest paid | 1,206 | 1,055 |
| Bad debts | 1,203 | 243 |

Note 4. Income tax expense

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

| | | |
|---|---------------|---------------|
| Prima facie tax on profit before income tax at 30% | 33,286 | 10,199 |
| Add/(deduct) tax effect of: | | |
| - Non-deductible expenses | 9,250 | 7,932 |
| - Prior period adjustment | - | (1,131) |
| Current income tax expense | 42,536 | 17,000 |
| Income tax expense | 42,536 | 17,000 |
| 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. | 4,500 | 47,036 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---|--------------|--------------|
| 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 |
| - Completion of feasibility study | 4,500 | - |
| - Valuation of Company | 1,000 | - |
| | 9,150 | 3,650 |

Note 6. Cash assets

| | | |
|---------------------------------|----------------|----------------|
| Cash at bank and on hand | 395,098 | 273,277 |
|---------------------------------|----------------|----------------|

Note 7. Receivables

| | | |
|----------------------|---------------|---------------|
| Trade debtors | 59,081 | 44,031 |
|----------------------|---------------|---------------|

Note 8. Prepayments

| | | |
|----------------|--------------|--------------|
| Insurance | 4,447 | 944 |
| Staff training | - | 4,000 |
| | 4,447 | 4,944 |

Note 9. Property, plant and equipment

Furniture and fittings

| | | |
|-------------------------------|------------|--------------|
| At cost | 4,631 | 4,631 |
| Less accumulated depreciation | (4,484) | (3,596) |
| | 147 | 1,035 |

Motor vehicles

| | | |
|-------------------------------|---------------|---------------|
| At cost | 29,577 | 26,936 |
| Less accumulated depreciation | (2,085) | (13,989) |
| | 27,492 | 12,947 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---|----------------|----------------|
| Note 9. Property, plant and equipment (continued) | | |
| Plant and equipment | | |
| At cost | 45,401 | 42,127 |
| Less accumulated depreciation | (27,925) | (22,621) |
| | 17,476 | 19,506 |
| Building improvements | | |
| At cost | 126,976 | 126,976 |
| Less accumulated depreciation | (40,672) | (32,252) |
| | 86,304 | 94,724 |
| Total written down amount | 131,419 | 128,212 |
| Movements in carrying amounts | | |
| Furniture and fittings | | |
| Carrying amount at beginning of year | 1,035 | 1,934 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (888) | (899) |
| Carrying amount at end of year | 147 | 1,035 |
| Motor vehicles | | |
| Carrying amount at beginning of year | 12,947 | 16,988 |
| Additions | 29,577 | - |
| Disposals | (10,805) | - |
| Depreciation expense | (4,227) | (4,041) |
| Carrying amount at end of year | 27,492 | 12,947 |
| Plant and equipment | | |
| Carrying amount at beginning of year | 19,506 | 25,101 |
| Additions | 3,271 | - |
| Disposals | - | - |
| Depreciation expense | (5,301) | (5,595) |
| Carrying amount at end of year | 17,476 | 19,506 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts (continued)

Building improvements

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 94,724 | 103,144 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (8,420) | (8,420) |
| Carrying amount at end of year | 86,304 | 94,724 |

Note 10. Intangible assets

Franchise fee

| | | |
|-------------------------------|----------|---------------|
| At cost | 60,000 | 60,000 |
| Less accumulated amortisation | (60,000) | (48,000) |
| | - | 12,000 |

Preliminary expenses

| | | |
|-------------------------------|----------|---------------|
| At cost | 91,045 | 91,045 |
| Less accumulated amortisation | (91,045) | (72,836) |
| | - | 18,209 |

Borrowing costs

| | | |
|-------------------------------|------------|---------------|
| At cost | 425 | - |
| Less accumulated amortisation | (53) | - |
| | 372 | - |
| | 372 | 30,209 |

Note 11. Payables

| | | |
|------------------------------|---------------|---------------|
| Trade creditors | 18,177 | 11,883 |
| Other creditors and accruals | 20,038 | 18,876 |
| | 38,215 | 30,759 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|---------------|---------------|
| Note 12. Interest bearing liabilities | | |
| Current | | |
| Chattel mortgage | 6,497 | 11,490 |
| Non - current | | |
| Chattel mortgage | 13,012 | - |

Note 13. Provisions

| | | |
|--|----------|----------|
| Employee benefits | 21,194 | 17,996 |
| Number of employees at year end | 7 | 7 |

Note 14. Share capital

| | | |
|--|----------------|----------------|
| 650,000 Ordinary shares fully paid of \$1 each | 650,000 | 650,000 |
| Less preliminary expenses | (6,881) | - |
| | 643,119 | 650,000 |

Note 15. Accumulated losses

| | | |
|---|------------------|------------------|
| Balance at the beginning of the financial year | (182,536) | (199,533) |
| Profit after income tax | 68,416 | 16,997 |
| Dividends paid or proposed | (13,000) | - |
| Balance at the end of the financial year | (127,120) | (182,536) |

Note 16. Cash flow statement

(a) Reconciliation of cash

| | | |
|--------------------|----------------|----------------|
| Cash assets | 395,098 | 273,277 |
|--------------------|----------------|----------------|

(b) Reconciliation of profit after tax to net cash provided from operating activities

| | | |
|-------------------------|--------|--------|
| Profit after income tax | 68,416 | 16,997 |
|-------------------------|--------|--------|

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---|----------------|---------------|
| Note 16. Cash flow statement (continued) | | |
| Non cash items | | |
| - Depreciation | 18,836 | 18,955 |
| - Amortisation | 30,209 | 30,209 |
| - Net loss from sale of plant & equipment | 1,228 | - |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (14,553) | (475) |
| - Increase (decrease) in payables | 7,456 | (435) |
| - Increase (decrease) in provisions | 3,198 | 3,420 |
| - (Increase) decrease in deferred income tax assets | 42,536 | 17,000 |
| Net cash flows from operating activities | 157,326 | 85,671 |

Note 17. Director and related party disclosures

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

Terry Ashenden

Bruce Adams (resigned 29/10/2007)

Joan Matthews

Miranda Sage

Norma Stack-Robinson

Caroline Talbot

Janice Rowlingson

Bruce Procter

David Harrison

Sue Becker (appointed 29/10/2007)

Paul Crosby (appointed 29/10/2007, resigned 26/05/08)

Craig Semple (appointed 29/10/2007)

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 2008 \$22,167 (2007: \$22,000) was paid in relation to this lease.

Notes to the financial statements continued

Note 17. Director and related party disclosures (continued)

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$300 (2007: \$1,800) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

Other than above, no Director or related entity has entered into a material contract with the Company.

No Director's fees have been paid as the positions are held on a voluntary basis.

| Directors shareholdings | 2008 | 2007 |
|---|-------------|-------------|
| Terry Ashenden | 5,000 | 5,000 |
| Bruce Adams (resigned 29/10/2007) | 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 | 3,000 | 3,000 |
| Bruce Procter | - | - |
| David Harrison | 500 | 500 |
| Sue Becker (appointed 29/10/2007) | - | - |
| Paul Crosby (appointed 29/10/2007, resigned 26/05/08) | - | - |
| Craig Semple (appointed 29/10/2007) | - | - |

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 & fees \$ | Post employment superannuation \$ | Other * \$ | Total \$ |
|--------------------------------|--|--|-----------------------|---------------------|
| Michael Scott (Branch Manager) | | | | |
| 2008 | 74,485 | 6,480 | 6,183 | 87,148 |
| 2007 | 42,923 | 3,863 | 6,885 | 53,671 |
| Fred Borg (Branch Manager) | | | | |
| 2007 | 15,037 | 1,128 | 2,951 | 19,116 |

* Other payments represent the total of monthly car lease payments. This vehicle is used by the Branch Manager and other staff during the year.

Notes to the 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

| | 2008 | 2007 |
|--|------|------|
| | \$ | \$ |

Note 22. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability

Unfranked dividends - Nil cents per share

(2007: 2 cents per share)

- 13,000

(b) Dividends paid during the year

Unfranked dividends - 2 cents per share

(2007: nil cents per share)

13,000

-

Notes to the financial statements continued

| | 2008 | 2007 |
|--|------|------|
| | \$ | \$ |

Note 23. Earnings per share

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

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

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

| | | |
|--|----------------|----------------|
| Profit after income tax expense | 68,416 | 16,997 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 650,000 | 650,000 |

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

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

(a) Credit risk

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

The maximum exposure to credit risk at 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. The Company's maximum exposure to credit risk at reporting date was:

| | Carrying amount | |
|-------------|-----------------|----------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Cash assets | 395,098 | 273,277 |
| Receivables | 59,081 | 44,031 |
| | 454,179 | 317,308 |

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: 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 Ltd.

(b) Liquidity risk

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

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

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

| | Carrying amount \$ | Contractual cash flows \$ | 1 year or less \$ | over 1 to 5 years \$ | more than 5 years \$ |
|------------------------------|-----------------------|------------------------------|----------------------|-------------------------|-------------------------|
| 30 June 2008 | | | | | |
| Payables | 38,215 | (38,215) | (38,215) | - | - |
| Interest bearing liabilities | 19,509 | (22,739) | (8,016) | (14,723) | - |
| | 57,724 | (60,954) | (46,231) | (14,723) | - |
| 30 June 2007 | | | | | |
| Payables | 30,759 | (30,759) | (30,759) | - | - |
| Interest bearing liabilities | 11,490 | (11,935) | (11,935) | - | - |
| | 42,249 | (42,694) | (42,694) | - | - |

(c) Market risk

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

Interest rate risk

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

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

| | Carrying Amount | |
|----------------------------------|-----------------|----------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | 209,557 | 149,022 |
| Financial liabilities | (19,509) | (11,490) |
| | 190,048 | 137,532 |
| Variable rate instruments | | |
| Financial assets | 185,541 | 124,255 |
| Financial liabilities | - | - |
| | 185,541 | 124,255 |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(e) 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 Balance Sheet.

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

Director's 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 2008 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.
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Terry Ashenden

Chairman

Signed at San Remo on 5 September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Phillip P Delahunty
Brett A Andrews

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 2008.

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 established 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.

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ABN 60 616 244 369

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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 2008 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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 5 September 2008

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 13 September 2008.

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. D & J Adams | 16,500 | 2.31% |
| 2. Carruthers Pharmaceuticals P/L | 11,000 | 1.54% |
| 3. Dickie R & J [Super Fund No. 2] | 11,000 | 1.54% |
| 4. P.J. Foden | 11,000 | 1.54% |
| 5. P & M Herrington | 11,000 | 1.54% |
| 6. GM Legg | 11,000 | 1.54% |
| 7. Morgeo Nominees P/L | 11,000 | 1.54% |
| 8. AC O'Brien | 11,000 | 1.54% |
| 9. D Gillard | 8,800 | 1.23% |
| 10. A Embrey | 7,700 | 1.08% |
| | 110,000 | 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 | 167 | 89,053 |
| 1,001 - 5,000 | 160 | 258,557 |
| 5,001 - 10,000 | 50 | 273,901 |
| 10,001 - 100,000 | 8 | 93,500 |
| 100,001 and over | - | - |
| Total | 385 | 715,011 |

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:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street,
Abbotsford VIC 3067
Telephone (03) 9415 5000

G. San Remo District Financial Services Limited

Catherine Rogerson
Company Secretary
103a Marine Parade,
San Remo VIC 3925
Telephone (03) 5956 7177

San Remo District **Community Bank**[®] Branch
103A Marine Parade, San Remo VIC 3925
Phone: (03) 5678 5833 Fax: (03) 5678 5823

Franchisee: San Remo District Financial Services Limited
103A Marine Parade, San Remo VIC 3925
Phone: (03) 5678 5833 Fax: (03) 5678 5823
ABN 20 102 770 150

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