

annual report 2010

San Remo District
Financial Services Limited
ABN 20 102 770 150

San Remo District and Cowes **Community Bank**[®] branches

Contents

Chairman's report	2
San Remo Manager's report	3
Cowes Manager's report	4
Bendigo and Adelaide Bank Ltd report	5-6
Directors' report	7-10
Financial statements	11-14
Notes to the financial statements	15-31
Directors' declaration	32
Independent audit report	33-34
BSX report	35-36

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 2010

Our Annual General Meeting will be held at the 3925 Community Centre, 23 Back Beach Road, San Remo at 7.30pm on Monday 25 October 2010 to be followed by supper.

The **Community Bank**[®] branch at San Remo has completed its seventh year of business and Cowes branch just over 13 months.

San Remo being so well established has enabled us, with a good boost to our market development fund for both branches from our partner Bendigo and Adelaide Bank Ltd, to contribute grants and sponsorships in excess of \$80,000 for the financial year. This takes our total return to the community to \$447,000. We have also returned \$83,300 to shareholders by way of dividends since 2003.

With Cowes starting off with a great book upon opening, as mentioned last year, and continuing on the good work it has managed to be much more cost effective than our prospectus showed.

We declared a dividend of three cents per share, unfranked, for the year, but at this point we are conserving our liquid assets for an expansion into Grantville and to continue building our Cowes business.

Grantville is currently well into their capital raising and we should be fitting out the premises for an opening in November 2010.

Once again I thank all the staff for their excellent customer service throughout the year and look forward to this continuing on our journey through the next year.

To the 10 other Directors, your efforts and time given freely and with great interest in the overall community, my most sincere appreciation.

To our franchise partner, Bendigo and Adelaide Bank Ltd, my thanks for your input from head office and the local team throughout the year.

The **Community Bank**[®] model has progressed over the past twelve years and will continue to help their communities, large and small, to prosper within themselves through returns from the **Community Bank**[®] branch business. You the shareholder and customer help our communities by banking with us.



Terry Ashenden
Chairman

San Remo Manager's report

For year ending 30 June 2010

It is with great pleasure that I present the following report for the financial year ending June 30 2010 on behalf of the San Remo District **Community Bank**[®] Branch. This is now my 3rd report that I have presented, and the figures that we are still able to achieve after 7 years are a fantastic effort.

Our branch has again been able to achieve some amazing results in what has again been a challenging year in the financial industry.

- Our total footings remain strong and have increased to \$89.5 million
- Our lending base increased by \$1.5 million
- Our deposit base increased by \$5.3 million
- Our overall profit for the year was \$257,829 - more than double last year!!

We have again had some significant sponsorship throughout the year. Sponsorship is a two way street. We love to sponsor events within the community and we value the support that these groups give back to us in return. Some major sponsorship this year again, has been the San Remo Channel Challenge through Cape Woolamai Surf Life Saving Club, The Kilcunda Bass Football Club, San Remo/Newhaven Art Show and the Bass Valley Pony Club. We have all supported each other and the community has been the ones that have benefited.

Our recent grants night saw us give back over \$63,000 to the community and attending these nights and seeing the gratitude and thanks of community groups, makes the job so worth while.

These results and sponsorships are only achieved with your continued support and ongoing banking with our branch. We still tell everyone that we have the greatest percentage of shareholders who actually bank with us and when we tell this story, it is told with an immense amount of pride.

Grantville is an exciting venture hopefully just around the corner, and once up and running, it won't be long and we will have 3 branches all being successful, all making profits, and all contributing to the community.

Our staff, Trudy, Di & Sally (and Marcia who left mid year) have again done a tremendous job in looking after your banking needs and I have no doubt that you are all made to feel most welcome when you come into the branch and are always served in the most professional manner. For this, I thank them.



Michel Scott

Branch Manager, San Remo District Community Bank[®] Branch

Cowes Manager's report

For year ending 30 June 2010

We are really pleased with the results of our first full financial year for the Cowes **Community Bank**[®] Branch since we opened in May 2009.

The branch's figures have been fantastic and we feel that the community has really got behind us and supported the **Community Bank**[®] concept and what we are about.

We started the financial year with \$18 million which was transferred across from San Remo District **Community Bank**[®] Branch. This fantastic start was mainly due to customers opening banking products with the San Remo District **Community Bank**[®] Branch to help get the Cowes branch started.

Moving onto the figures for the financial year we have managed to increase our overall footings from \$20.8 million to \$50.8 million which was an outstanding effort by the staff of the Cowes **Community Bank**[®] Branch. This extraordinary outcome by my team was such a good effort we ended up exceeding budget by a massive \$8.1 million.

- Total footings in lending at the end of the financial year were \$33.3 million which increased them by \$21.6 million.
- In deposits we started the financial year at \$9.1 million and increased those footings to \$17.5 million, so overall a very pleasing outcome for our branch.

We have contributed very generously to the community with over \$15,000 going back to the local community in the 2010 financial year. We have continued to support events such as the Cowes Classic, Phillip Island Annual Golf Day and many more events and different organisations through sponsorship.

There will be another big year ahead of us in the 2011 financial year as we need to continue the growth of our branch to help support the new branch at Grantville that will be opening and operating soon.

I would also like to thank the fantastic Board of San Remo District Financial Services Limited for all the hard work they have put in throughout the year. A big thank you especially to our Chairman, Terry Ashenden, for all his commitment and hard work he puts into making this Company a success like it is today.

Also I would like to thank Michael Scott and his staff at the San Remo District **Community Bank**[®] Branch for all the support they provide to us and the work they have achieved this year.

Finally I would like to say a really big thank you to all my staff here at Cowes, Kaye DiPaola, Robyn Thom and Kathleen Farrell for all their hard work and efforts throughout the year to make this branch the success that it is.



Peter Wayman

Branch Manager Cowes Community Bank[®] Branch

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pymont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

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

David Harrison (resigned 26 October 2009)

Director

Occupation - Retired

Craig Semple

Director

Occupation - Minister of Religion

Patrick Russell (appointed 26 October 2009)

Director

Occupation - Maintenance Manager

Michele Fulwell

Director

Occupation - Self employed

Miranda Sage

Director

Occupation - Pharmacist

Caroline Talbot

Director

Occupation - Business Manager

Bruce Procter

Director

Occupation - Retired

Sue Becker (resigned 27 July 2009)

Director

Occupation - School Principal

Kathy Jones (appointed 27 July 2009)

Director

Occupation - School Focus Youth Worker

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 Ltd.

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

Directors' report continued

Operating results

The profit of the Company for the financial year after provision for income tax was \$80,012 (2009: \$2,074).

Dividends	Cents per share	\$'000
Dividends paid in the year:		
- As recommended in the prior year report	3	4,545

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

The Company is looking to open a third branch in Grantville and are continuing to raise share capital for the establishment of this branch.

There are no other 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 2010 \$25,125 (2009: \$24,000) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$1,786 (2009: \$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.

Directors' report continued

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #	Audit committee meetings #
Terry Ashenden	13 (14)	5 (5)
Michele Fulwell	12 (14)	5 (5)
Joan Matthews	13 (14)	N/A
Miranda Sage	9 (14)	N/A
Norma Stack-Robinson	9 (14)	N/A
Caroline Talbot	13 (14)	N/A
Janice Rowlingson	9 (14)	5 (5)
Bruce Procter	14 (14)	N/A
David Harrison (resigned 26 October 2009)	3 (4)	N/A
Sue Becker (resigned 27 July 2009)	0 (1)	N/A
Craig Semple	12 (14)	N/A
Kathy Jones (appointed 27 July 2009)	8 (14)	N/A
Patrick Russell (appointed 26 October 2009)	8 (9)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Michele Fulwell was appointed Company Secretary on 24 November 2008. Michele's experience and qualifications include being a Director and office manager of her family Company since 1999. She has served and been an office bearer for a number of committees in the past.

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 J. Rowlingson, T. Ashenden, M. Scott and M. Fulwell;
- (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



6 September 2010

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

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

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 2010, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at San Remo on 6 September 2010.

Terry Ashenden
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	1,095,806	762,541
Employee benefits expense	3	(499,297)	(312,828)
Charitable donations and sponsorship		(83,024)	(170,733)
Depreciation and amortisation expense	3	(82,328)	(56,570)
Finance costs	3	(3,413)	(2,409)
Other expenses from ordinary activities		(329,076)	(216,518)
Profit before income tax expense		98,668	3,483
Income tax expense	4	18,656	1,409
Profit after income tax expense		80,012	2,074
Other comprehensive income		-	-
Total comprehensive income		80,012	2,074
Earnings per share (cents per share)			
- basic for profit for the year	23	6.95	0.32
- diluted for profit for the year	23	6.95	0.32

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	584,184	425,312
Receivables	7	87,734	88,386
Prepayments	8	4,516	12,753
Total current assets		676,434	526,451
Non-current assets			
Property, plant and equipment	9	338,693	343,506
Deferred tax assets	4	-	3,091
Intangibles	10	99,830	141,983
Total non-current assets		438,523	488,580
Total assets		1,114,957	1,015,031
Current liabilities			
Payables	11	63,288	25,869
Loans and borrowings	12	11,934	21,329
Provisions	13	41,001	30,511
Total current liabilities		116,223	77,709
Non-current liabilities			
Deferred tax liabilities	4	15,565	-
Loans and borrowings	12	19,813	21,620
Total non-current liabilities		35,378	21,620
Total liabilities		151,601	99,329
Net assets		963,356	915,702
Equity			
Share capital	14	1,078,685	1,076,498
Accumulated losses	15	(115,329)	(160,796)
Total equity		963,356	915,702

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,174,376	769,139
Cash payments in the course of operations		(948,263)	(767,114)
Interest paid		(3,413)	(2,409)
Interest received		15,094	19,797
Net cash flows from operating activities	16b	237,794	19,413
Cash flows from investing activities			
Purchase of property, plant & equipment		(35,362)	(233,722)
Purchase of intangible assets		-	(169,665)
Net cash flows used in financing activities		(35,362)	(403,387)
Cash flows from financing activities			
Proceeds from borrowings		(11,202)	23,440
Dividends paid		(34,545)	(35,750)
Member equity		10,000	426,498
Equity raising costs		(7,813)	-
Net cash flows provided from / (used in) financing activities		(43,560)	414,188
Net increase in cash held		158,872	30,214
Cash and cash equivalents at start of year		425,312	395,098
Cash and cash equivalents at end of year	16a	584,184	425,312

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
Balance at start of year		1,076,498	650,000
Issue of share capital		10,000	426,498
Share issue costs		(7,813)	-
Balance at end of year		1,078,685	1,076,498
Accumulated losses			
Balance at start of year		(160,796)	(127,120)
Profit after income tax expense		80,012	2,074
Dividends paid or proposed	22	(34,545)	(35,750)
Balance at end of year		(115,329)	(160,796)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

San Remo District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 6 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

Notes to the financial statements continued

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

Income tax (continued)

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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 reporting 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 statement of cash flows, 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.

Notes to the financial statements continued

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

Loans and borrowings

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.

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010 \$	2009 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	1,078,778	743,873
Total revenue from operating activities	1,078,778	743,873
Non-operating activities:		
- interest received	17,028	18,668
- other revenue	-	-
Total revenue from non-operating activities	17,028	18,668
Total revenue from ordinary activities	1,095,806	762,541

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	422,941	262,564
- superannuation costs	37,919	29,626
- workers' compensation costs	1,632	788
- other costs	36,805	19,850
	499,297	312,828
Depreciation of non-current assets:		
- plant and equipment	12,246	6,721
- property improvements	16,991	9,843
- motor vehicles	7,576	4,437
- furniture and fittings	238	112
- software	3,124	522
Amortisation of non-current assets:		
- intangibles	42,153	34,935
	82,328	56,570
Finance costs:		
- Interest paid	3,413	2,409
Bad debts	1,806	197

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%	29,600	1,045
Add/(deduct) tax effect of:		
- Non-deductible expenses	990	-
- Deductible expenses	(11,934)	-
- Prior year under provision	-	364
Current income tax expense	18,656	1,409
Income tax expense	18,656	1,409

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense (continued)		
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	-	3,091
Tax liabilities		
Deferred tax payable	15,565	-

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	3,900	3,650
- Share registry costs	2,932	1,800
- Completion of feasibility study	4,500	-
- Prospectus - Cowes branch	-	2,000
	11,332	7,450

Note 6. Cash and cash equivalents

Cash at bank and on hand	584,184	425,312
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Note 7. Receivables

Trade debtors	87,734	88,386
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Note 8. Prepayments

Insurance	4,516	4,420
Staff training	-	8,333
	4,516	12,753

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment		
Furniture and fittings		
At cost	6,022	6,022
Less accumulated depreciation	(4,834)	(4,596)
	1,188	1,426
Motor vehicles		
At cost	52,649	29,577
Less accumulated depreciation	(14,098)	(6,522)
	38,551	23,055
Computer software		
At cost	9,377	9,377
Less accumulated depreciation	(3,646)	(522)
	5,731	8,855
Plant and equipment		
At cost	112,328	102,428
Less accumulated depreciation	(46,892)	(34,646)
	65,436	67,782
Leasehold improvements		
At cost	295,293	292,903
Less accumulated depreciation	(67,506)	(50,515)
	227,787	242,388
Total written down amount	338,693	343,506
Movements in carrying amounts		
Furniture and fittings		
Carrying amount at beginning of year	1,426	147
Additions	-	1,391
Disposals	-	-
Depreciation expense	(238)	(112)
Carrying amount at end of year	1,188	1,426

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning of year	23,055	27,492
Additions	23,072	-
Disposals	-	-
Depreciation expense	(7,576)	(4,437)
Carrying amount at end of year	38,551	23,055
Computer software		
Carrying amount at beginning of year	8,855	-
Additions	-	9,377
Disposals	-	-
Depreciation expense	(3,124)	(522)
Carrying amount at end of year	5,731	8,855
Plant and equipment		
Carrying amount at beginning of year	67,782	17,476
Additions	9,900	57,027
Disposals	-	-
Depreciation expense	(12,246)	(6,721)
Carrying amount at end of year	65,436	67,782
Leasehold improvements		
Carrying amount at beginning of year	242,388	86,304
Additions	2,390	165,927
Disposals	-	-
Depreciation expense	(16,991)	(9,843)
Carrying amount at end of year	227,787	242,388

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Intangible assets		
Franchise fee		
At cost	68,909	78,909
Less accumulated amortisation	(27,564)	(15,448)
	41,345	63,461
Preliminary expenses		
At cost	96,922	96,922
Less accumulated amortisation	(38,764)	(19,384)
	58,158	77,538
Borrowing costs		
At cost	625	1,140
Less accumulated amortisation	(298)	(156)
	327	984
	99,830	141,983

Note 11. Payables

Trade creditors	29,107	18,126
Other creditors and accruals	34,181	7,743
	63,288	25,869

Note 12. Loans and borrowings

Current		
Chattel mortgage	11,934	6,497
Bank loan	-	14,832
	11,934	21,329
Non - current		
Chattel mortgage	19,813	8,034
Bank loan	-	13,586
	19,813	21,620

Notes to the financial statements continued

	2010 \$	2009 \$
Note 13. Provisions		
Employee benefits	41,001	30,511

Note 14. Share capital

650,000 Ordinary shares fully paid of \$1 each	650,000	650,000
65,000 Bonus shares issued August 2008 at rate of 1 for 10 held	-	-
436,498 Ordinary shares fully paid of \$1 each issued for Cowes branch	436,498	426,498
Less: Equity raising costs	(7,813)	-
	1,078,685	1,076,498
Movement in ordinary shares		
Balance at beginning of year	1,076,498	650,000
Equity raising costs	(7,813)	-
Issue of share capital	10,000	426,498
Balance at end of year	1,078,685	1,076,498

Note 15. Accumulated losses

Balance at the beginning of the financial year	(160,796)	(127,120)
Profit after income tax	80,012	2,074
Dividends paid or proposed	(34,545)	(35,750)
Balance at the end of the financial year	(115,329)	(160,796)

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	584,184	425,312
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(b) Reconciliation of profit after tax to net cash provided from operating activities

Profit after income tax	80,012	2,074
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 16. Statement of cash flows (continued)		
Non cash items		
- Depreciation	40,175	21,635
- Amortisation	42,153	34,935
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	8,889	(37,611)
- Increase (decrease) in payables	37,419	(12,346)
- Increase (decrease) in provisions	10,490	9,317
- Increase (decrease) in deferred tax liabilities	15,565	-
- (Increase) decrease in deferred income tax assets	3,091	1,409
Net cash flows from operating activities	237,794	19,413

Note 17. Director and related party disclosures

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

Terry Ashenden
Michele Fulwell
Joan Matthews
Miranda Sage
Norma Stack-Robinson
Caroline Talbot
Janice Rowlingson
Bruce Procter
David Harrison (resigned 26 October 2009)
Sue Becker (resigned 27 July 2009)
Craig Semple
Kathy Jones (appointed 27 July 2009)
Patrick Russell (appointed 26 October 2009)

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 2010 \$25,125 (2009: \$24,000) 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 \$1,786 (2009: \$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 Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	2010	2009
Terry Ashenden	42,751	5,501
Michele Fulwell	500	500
Joan Matthews	17,801	9,801
Miranda Sage	7,500	7,500
Norma Stack-Robinson	7,000	7,000
Caroline Talbot	3,200	2,200
Janice Rowlingson	9,900	3,300
Bruce Procter	1,000	1,000
David Harrison (resigned 26 October 2009)	1,050	550
Sue Becker (resigned 27 July 2009)	3,000	2,000
Craig Semple	8,000	7,500
Kathy Jones (appointed 27 July 2009)	1,100	1,100
Patrick Russell (appointed 26 October 2009)	-	-

The following Directors purchased shares during the year. Craig Semple 500, Sue Becker 1,000, David Harrison 500, Janice Rowlingson 6,600, Caroline Talbot 1,000, Joan Matthews 8,000, and Terry Ashenden 37,250. Each share held has a paid up value of \$1 and is fully paid.

Note 18. Subsequent events

The Company is looking to open a third branch in Grantville and are continuing to raise share capital for the establishment of this branch.

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.

Notes to the financial statements continued

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 Limited 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.

2010

\$

2009

\$

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the year

	2010	2009
	\$	\$
Unfranked dividends - 3 cents per share (2009: 5 cents per share)	34,545	35,750

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	80,012	2,074
Weighted average number of ordinary shares for basic and diluted earnings per share	1,151,509	895,749

Notes to the financial statements continued

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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	584,184	425,312
Receivables	87,734	88,386
	671,918	513,698

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 (2009: 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.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

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 2010					
Payables	63,288	(63,288)	(63,288)	-	-
Loans and borrowings	31,747	(37,119)	(14,004)	(23,115)	-
	95,035	(100,407)	(77,292)	(23,115)	-
30 June 2009					
Payables	25,869	(25,869)	(25,869)	-	-
Loans and borrowings	42,949	(47,420)	(22,392)	(25,028)	-
	68,818	(73,289)	(48,261)	(25,028)	-

(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.

Sensitivity analysis

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

	Carrying amount 2010 \$	2009 \$
Fixed rate instruments		
Financial assets	356,606	223,453
Financial liabilities	(31,747)	(14,531)
	324,859	208,922

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2010	2009
	\$	\$
<hr/>		
Variable rate instruments		
Financial assets	227,578	201,859
Financial liabilities	-	(28,418)
	227,578	173,441

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 2009 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(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 Statement of Financial Position.

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

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

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(e) Capital management (continued)

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 2010 can be seen in the Statement of Comprehensive Income.

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

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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (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 2010.



Terry Ashenden
Chairman

Signed at San Remo on 6 September 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



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

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for San Remo District Financial Services Limited, for the year ended 30 June 2010.

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.

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 39 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

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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 2010 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


Philip Delahunty
Partner
Bendigo

Date: 6 September 2010

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 27 September 2010.

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

	Shareholder	No of share	% share
1	Dawn J Ashenden	22,500	1.95
2	Morgeo Nominees Pty Ltd	21,000	1.82
3	Bass Coast Shire Council	20,000	1.74
4	Thomas Leigh Pty Ltd as trustee for <The Waring Family Superannuation Fund AC>	17,000	1.43
5	Douglas Adams & Joy Adams	16,500	1.30
6	Head Station Property Trust	15,000	1.30
7	Phillip Island RSI Sub Branch Pty Ltd	15,000	1.30
8	Winpar Holdings Limited	15,000	1.04
9	Leonie Dawn Gardiner	12,000	0.96
10	Raymond John McNamara & Frances Mary Carroll-Whip as trustee for <McNamara Carroll S/F A/C>	11,100	0.96

C. Voting rights

Each shareholder has one vote.

BSX report continued

D. Distribution of Shareholders

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

	No of shareholders	No of shares
1-1000	265	164,300
1001-5000	197	408,756
5001-10,000	55	347,353
10,001-100,000	16	231,100
Total	533	1,151,509

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:

Richmond Sinnott & Delahunty
Chartered Accountants
172-176 Mclvor Road,
Bendigo VIC 3550
Phone: +61 (03) 5443 1177

G. San Remo District Financial Services Limited

Michele Fulwell
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

Cowes **Community Bank**[®] Branch
Shop 1, 209-213 Settlement Road, Cowes VIC 3922
Phone: (03) 5952 3383 Fax: (03) 5952 3220

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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(BMPAR10055) (09/10)