

San Remo District Financial Services Limited
Financial Statements
as at
30 June 2011

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

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

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

Michele Fulwell
Director
Occupation - Self employed

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

Craig Semple
Director
Occupation - Minister of Religion

Kathy Jones
Director
Occupation - School Focus Youth Worker

Patrick Russell
Director
Occupation - Maintenance Manager

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

Principal activities

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

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

Review of Operations

The profit of the Company for the financial year after provision for income tax was \$45,884 (2010: \$80,012).

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Directors' Report

Dividends

The directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

The Company opened a third branch in Grantville and raised share capital for the establishment of this branch during the year.

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

Significant events after the balance date

There are no 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.

Remuneration Report

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 2011 \$26,384 (2010: \$25,125) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$1,800 (2010: \$1,786) 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.

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.

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Directors' Report

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Terry Ashenden	15 (15)	3 (3)
Michele Fulwell	8 (15)	1 (3)
Joan Matthews	10 (15)	N/A
Miranda Sage	10 (15)	N/A
Norma Stack-Robinson	13 (15)	N/A
Caroline Talbot	11 (15)	N/A
Janice Rowlingson	13 (15)	3 (3)
Bruce Procter	15 (15)	N/A
Craig Semple	14 (15)	N/A
Kathy Jones	11 (15)	N/A
Patrick Russell	11 (15)	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

Leonie Gardiner was appointed Company secretary in March 2011. Leonie has worked in the family business since 1998, prior to this she was office manager for various other businesses.

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.

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Directors' Report

Non Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 5 to the financial statements.

The directors have considered the non-audit services provided during the year by the auditor and are satisfied the provision of these services is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- (a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- (b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the auditors own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsd advisors.com.au

Chartered Accountants

Auditor's Independence Declaration

In relation to our audit of the financial report of San Remo District Financial Services Limited for the financial year ended 30 June 2011, 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
Bendigo
8 September 2011

Signed in accordance with a resolution of the Board of Directors at San Remo on 8 September 2011.

Terry Ashenden, Chairman

San Remo District Financial Services Limited
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Statement of Comprehensive Income
for the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenues from continuing operations	2	1,404,413	1,095,806
Employee benefits expense	3	(642,838)	(499,297)
Charitable donations and sponsorship		(116,884)	(83,024)
Depreciation and amortisation expense	3	(101,753)	(82,328)
Finance costs	3	(2,384)	(3,413)
Other expenses		<u>(445,257)</u>	<u>(329,076)</u>
Profit before income tax expense		95,297	98,668
Income tax expense	4	<u>49,413</u>	<u>18,656</u>
Profit after income tax expense		45,884	80,012
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>45,884</u></u>	<u><u>80,012</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	23	3.48	6.95
- diluted for profit for the year	23	3.48	6.95

The accompanying notes form part of these financial statements

San Remo District Financial Services Limited
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Statement of Financial Position
As at 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	730,087	584,184
Receivables	7	93,915	87,734
Prepayments	8	22,389	4,516
Current tax assets	4	890	-
Total Current Assets		<u>847,281</u>	<u>676,434</u>
Non-Current Assets			
Property, plant and equipment	9	499,930	338,693
Intangibles	10	179,746	99,830
Total Non-Current Assets		<u>679,676</u>	<u>438,523</u>
Total Assets		<u>1,526,957</u>	<u>1,114,957</u>
Current Liabilities			
Payables	11	47,413	63,288
Loans and borrowings	12	14,084	11,934
Provisions	13	49,877	41,001
Total Current Liabilities		<u>111,374</u>	<u>116,223</u>
Non-Current Liabilities			
Deferred tax liabilities	4	34,798	15,565
Loans and borrowings	12	34,304	19,813
Total Non-Current Liabilities		<u>69,102</u>	<u>35,378</u>
Total Liabilities		<u>180,476</u>	<u>151,601</u>
Net Assets		<u>1,346,481</u>	<u>963,356</u>
Equity			
Share capital	14	1,415,926	1,078,685
Accumulated losses	15	(69,445)	(115,329)
Total Equity		<u>1,346,481</u>	<u>963,356</u>

The accompanying notes form part of these financial statements

San Remo District Financial Services Limited
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Statement of Cash Flows
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,475,759	1,174,376
Cash payments in the course of operations		(1,330,589)	(948,263)
Interest paid		(2,384)	(3,413)
Interest received		23,210	15,094
Income tax paid		(31,069)	-
Net cash flows from operating activities	16b	<u>134,927</u>	<u>237,794</u>
Cash Flows From Investing Activities			
Purchase of property, plant & equipment		(209,883)	(35,362)
Purchase of intangible assets		(133,023)	-
Net cash flows used in financing activities		<u>(342,906)</u>	<u>(35,362)</u>
Cash Flows From Financing Activities			
Proceeds from / (repayment of) borrowings		16,641	(11,202)
Dividends paid		-	(34,545)
Member equity		337,241	10,000
Equity raising costs		-	(7,813)
Net cash flows provided from / (used in) financing activities		<u>353,882</u>	<u>(43,560)</u>
Net increase in cash held		145,903	158,872
Cash and cash equivalents at start of year		584,184	425,312
Cash and cash equivalents at end of year	16a	<u>730,087</u>	<u>584,184</u>

The accompanying notes form part of these financial statements

San Remo District Financial Services Limited
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Statement of Changes in Equity
for the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		1,078,685	1,076,498
Issue of share capital		337,241	10,000
Share issue costs		<u>-</u>	<u>(7,813)</u>
Balance at end of year		<u>1,415,926</u>	<u>1,078,685</u>
ACCUMULATED LOSSES			
Balance at start of year		(115,329)	(160,796)
Profit after income tax expense		45,884	80,012
Dividends paid or proposed	22	<u>-</u>	<u>(34,545)</u>
Balance at end of year		<u>(69,445)</u>	<u>(115,329)</u>

The accompanying notes form part of these financial statements

San Remo District Financial Services Limited
ABN 20 102 770 150
Notes to the Financial Statements
for the year ended 30 June 2011

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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking 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 8 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

San Remo District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

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

Income tax (continued)

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.

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

Property, plant and equipment

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

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Furniture and fittings	20%
Motor vehicles	15%
Plant and equipment	13%
Property improvements	2.5% and 10%

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.

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

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 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.

Revenue

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

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Notes to the Financial Statements
for the year ended 30 June 2011

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

Receivables and Payables

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

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.

Comparative Figures

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

2. Revenue from continued operations

	2011	2010
	\$	\$
Operating activities		
- services commissions	<u>1,377,307</u>	<u>1,078,778</u>
	<u>1,377,307</u>	<u>1,078,778</u>
Non-operating activities:		
- interest received	27,106	17,028
- other revenue	-	-
	<u>27,106</u>	<u>17,028</u>
	<u>1,404,413</u>	<u>1,095,806</u>

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3. Expenses	2011	2010
	\$	\$
Employee benefits expense		
- wages and salaries	538,812	422,941
- superannuation costs	49,322	37,919
- workers' compensation costs	2,524	1,632
- other costs	52,180	36,805
	<u>642,838</u>	<u>499,297</u>
Depreciation of non-current assets:		
- plant and equipment	15,538	12,246
- property improvements	18,764	16,991
- motor vehicles	8,125	7,576
- furniture and fittings	1,280	238
- software	4,939	3,124
Amortisation of non-current assets:		
- intangibles	53,107	42,153
	<u>101,753</u>	<u>82,328</u>
Finance Costs:		
- Interest paid	2,384	3,413
Bad debts	508	1,806
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%	28,589	29,600
Add/(deduct) tax effect of:		
- Non-deductible expenses	17,840	990
- Deductible expenses	(9,093)	(11,934)
- Under provision of tax in prior year	12,077	-
<i>Current income tax expense</i>	<u>49,413</u>	<u>18,656</u>
Income tax expense	<u>49,413</u>	<u>18,656</u>
Current tax asset		
Current tax refund	<u>890</u>	<u>-</u>
Tax liabilities		
Deferred tax payable	<u>34,798</u>	<u>15,565</u>

San Remo District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

5. Auditors' Remuneration	2011	2010
	\$	\$
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry costs	5,532	2,932
- Completion of feasibility study	-	4,500
- Prospectus - Grantville branch	3,000	-
	<u>12,432</u>	<u>11,332</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>730,087</u>	<u>584,184</u>
7. Receivables		
Trade debtors	<u>93,915</u>	<u>87,734</u>
8. Prepayments		
Insurance	5,969	4,516
Staff training	16,420	-
	<u>22,389</u>	<u>4,516</u>
9. Property, Plant and Equipment		
<i>Furniture and fittings</i>		
At cost	15,142	6,022
Less accumulated depreciation	<u>(6,115)</u>	<u>(4,834)</u>
	<u>9,027</u>	<u>1,188</u>
<i>Motor vehicles</i>		
At cost	76,697	52,649
Less accumulated depreciation	<u>(22,223)</u>	<u>(14,098)</u>
	<u>54,474</u>	<u>38,551</u>
<i>Computer software</i>		
At cost	18,754	9,377
Less accumulated depreciation	<u>(8,585)</u>	<u>(3,646)</u>
	<u>10,169</u>	<u>5,731</u>
<i>Plant and equipment</i>		
At cost	153,779	112,328
Less accumulated depreciation	<u>(62,430)</u>	<u>(46,892)</u>
	<u>91,349</u>	<u>65,436</u>
<i>Leasehold improvements</i>		
At cost	421,181	295,293
Less accumulated depreciation	<u>(86,270)</u>	<u>(67,506)</u>
	<u>334,911</u>	<u>227,787</u>
Total written down amount	<u>499,930</u>	<u>338,693</u>

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9. Property, Plant and Equipment (continued)	2011	2010
	\$	\$
Movements in carrying amounts		
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	1,188	1,426
Additions	9,119	-
Disposals	-	-
Depreciation expense	(1,280)	(238)
Carrying amount at end of year	<u>9,027</u>	<u>1,188</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	38,551	23,055
Additions	24,048	23,072
Disposals	-	-
Depreciation expense	(8,125)	(7,576)
Carrying amount at end of year	<u>54,474</u>	<u>38,551</u>
<i>Computer software</i>		
Carrying amount at beginning of year	5,731	8,855
Additions	9,377	-
Disposals	-	-
Depreciation expense	(4,939)	(3,124)
Carrying amount at end of year	<u>10,169</u>	<u>5,731</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	65,436	67,782
Additions	41,451	9,900
Disposals	-	-
Depreciation expense	(15,538)	(12,246)
Carrying amount at end of year	<u>91,349</u>	<u>65,436</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning of year	227,787	242,388
Additions	125,888	2,390
Disposals	-	-
Depreciation expense	(18,764)	(16,991)
Carrying amount at end of year	<u>334,911</u>	<u>227,787</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	123,696	68,909
Less accumulated amortisation	(49,564)	(27,564)
	<u>74,132</u>	<u>41,345</u>
<i>Preliminary Expenses</i>		
At cost	175,101	96,922
Less accumulated amortisation	(69,871)	(38,764)
	<u>105,230</u>	<u>58,158</u>
<i>Borrowing Costs</i>		
At cost	834	625
Less accumulated amortisation	(450)	(298)
	<u>384</u>	<u>327</u>
	<u>179,746</u>	<u>99,830</u>

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Notes to the Financial Statements
for the year ended 30 June 2011

11. Payables	2011	2010
	\$	\$
Trade creditors	3,351	29,107
Other creditors and accruals	44,062	34,181
	<u>47,413</u>	<u>63,288</u>
12. Loans and Borrowings		
<i>Current</i>		
Chattel mortgage	<u>14,084</u>	<u>11,934</u>
<i>Non - Current</i>		
Chattel mortgage	<u>34,304</u>	<u>19,813</u>
13. Provisions		
Employee benefits	<u>49,877</u>	<u>41,001</u>
Movement in employee benefits		
Opening balance	41,001	30,511
Additional provisions recognised	41,447	32,534
Amounts utilised during the year	<u>(32,571)</u>	<u>(22,044)</u>
Closing balance	<u>49,877</u>	<u>41,001</u>
14. Share Capital		
650,011 Ordinary Shares fully paid of \$1 each	650,011	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	436,498
337,230 Ordinary Shares fully paid of \$1 each issued for Grantville Branch	337,230	-
Less: Equity raising costs	<u>(7,813)</u>	<u>(7,813)</u>
	<u>1,415,926</u>	<u>1,078,685</u>
Movement in ordinary shares		
Balance at beginning of year	1,078,685	1,076,498
Equity raising costs	-	(7,813)
Initial shares not previously recognised	11	-
Issue of share capital	<u>337,230</u>	<u>10,000</u>
Balance at end of year	<u>1,415,926</u>	<u>1,078,685</u>
15. Accumulated Losses		
Balance at the beginning of the financial year	(115,329)	(160,796)
Profit after income tax	45,884	80,012
Dividends paid or proposed	-	(34,545)
Balance at the end of the financial year	<u>(69,445)</u>	<u>(115,329)</u>

San Remo District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

16. Statement of Cash Flows	2011	2010
	\$	\$
(a) Cash and cash equivalents		
Cash assets	<u>730,087</u>	<u>584,184</u>
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	45,884	80,012
Non cash items		
- Depreciation	48,646	40,175
- Amortisation	53,107	42,153
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(24,054)	8,889
- Increase (decrease) in payables	(15,875)	37,419
- Increase (decrease) in provisions	8,876	10,490
- Increase (decrease) in income tax payable	(890)	-
- Increase (decrease) in deferred tax liabilities	19,233	15,565
- (Increase) decrease in deferred income tax assets	-	3,091
Net cashflows from operating activities	<u>134,927</u>	<u>237,794</u>

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
Craig Semple
Kathy Jones
Patrick Russell

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 2011 \$26,384 (2010: \$25,125) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$1,800 (2010: \$1,786) 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.

San Remo District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

17. Director and Related Party Disclosures (continued)

Directors shareholdings	2011	2010
Terry Ashenden	42,751	42,751
Michele Fulwell	2,000	500
Joan Matthews	17,801	17,801
Miranda Sage	7,500	7,500
Norma Stack-Robinson	7,000	7,000
Caroline Talbot	3,200	3,200
Janice Rowlingson	9,900	9,900
Bruce Procter	1,000	1,000
Craig Semple	8,000	8,000
Kathy Jones	1,100	1,100
Patrick Russell	2,000	-

Michele Fulwell purchased 1,500 shares and Patrick Russell purchased 2,000 shares during the year. Each share held has a paid up value of \$1 and is fully paid.

18. Subsequent Events

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

19. Contingent Liabilities and Assets

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

20. Segment Reporting

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

21. Corporate Information

San Remo District Financial Services 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 3925

22. Dividends paid or provided for on ordinary shares

	2011	2010
	\$	\$
a) Dividends paid during the year		
Unfranked dividends - Nil cents per share (2010: 3 cents per share)	-	34,545

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year	31,069	-
- Franking debits that will arise from the refund of income tax as at the end of the financial year	(890)	-
	<u>30,179</u>	<u>-</u>

San Remo District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

23. Earnings per share

2011
\$

2010
\$

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	<u>45,884</u>	<u>80,012</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>1,320,124</u>	<u>1,151,509</u>

San Remo District Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2011

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	
	2011	2010
	\$	\$
Cash assets	730,087	584,184
Receivables	93,915	87,734
	824,002	671,918

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

None of the assets of the Company are past due (2010: 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.

San Remo District Financial Services Limited
ABN 20 102 770 150
Notes to the Financial Statements
For the year ended 30 June 2011

24. Financial risk management (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 2011					
Payables	47,413	(47,413)	(47,413)	-	-
Loans and borrowings	48,388	(57,114)	(15,667)	(41,447)	-
	<u>95,801</u>	<u>(104,527)</u>	<u>(63,080)</u>	<u>(41,447)</u>	<u>-</u>
30 June 2010					
Payables	63,288	(63,288)	(63,288)	-	-
Loans and borrowings	31,747	(37,119)	(14,004)	(23,115)	-
	<u>95,035</u>	<u>(100,407)</u>	<u>(77,292)</u>	<u>(23,115)</u>	<u>-</u>

(c) Market risk

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

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:

	<u>Carrying Amount</u>	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	373,779	356,606
Financial liabilities	(48,388)	(31,747)
	<u>325,391</u>	<u>324,859</u>
Variable rate instruments		
Financial assets	356,297	227,578
Financial liabilities	-	-
	<u>356,297</u>	<u>227,578</u>

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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

San Remo District Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2011

24. Financial risk management (continued)

(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%.

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 2011 can be seen in the Statement of Comprehensive Income.

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

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

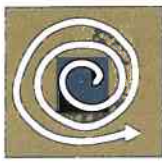
In accordance with a resolution of the directors of San Remo District Financial Services Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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; 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 2011.



Signed at San Remo on 8 September 2011.



***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 2011.

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.

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:

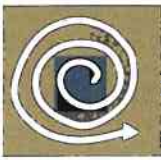
- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



Philip Delahunty
Partner
Bendigo

Date: 8 September 2011



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

8 September 2011

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 2011, 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

BSX ADDITIONAL INFORMATION

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 11th August 2011.

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	BASS COAST SHIRE COUNCIL	40000	2.68
2	THOMAS LEIGH PTY LTD AS TRUSTEE FOR <THE WARING FAMILY SUPERANNUATION FUND AC>	25000	1.67
3	DAWN J ASHENDEN	22500	1.51
4	MORGEO NOMINEES PTY LTD	21000	1.41
5	GLENVILLE NOMINEES PTY LTD AS TRUSTEE FOR <BRUANGIL PARK A/C>	20000	1.34
6	WINPAR HOLDINGS LIMITED	20000	1.34
7	DOUGLAS ADAMS & JOY ADAMS	16500	1.10
8	HEAD STATION PROPERTY TRUST	15000	1.00
9	PHILLIP ISLAND RSL SUB BRANCH PTY LTD	15000	1.00
10	LEONIE DAWN GARDINER	12000	0.80

C. Voting Rights

Each shareholder has one vote

D. Distribution of Shareholders

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

	No of Shareholders	No of shares
1-1000	352	214,406
1001-5000	251	567,683
5001-10,000	63	412,150
10,001-100,000	18	294,500
Total	684	1,488,739

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, Victoria

Ph: +61 3 5443 1177

G. San Remo District Financial Services Limited

Leonie Gardiner
Company Secretary
103a Marine Parade
SAN REMO Victoria 3925

Telephone: 03 5956 7177