

# annual report 2010



Sandringham Community  
Financial Services Limited  
ABN 86 099 131 192

Sandringham **Community Bank®** Branch

# Sandringham Community Financial Services Limited

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Above: Current Board members (from left to right):  
Campbell Sinclair, Ian Siebert, David Marshall, Glen Barnes,  
Terry Earle, Graham Ludecke (incoming Chairperson),  
Michael Davies.

Left: Renate Lange – outgoing Chairperson.

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Centre spread feature - Community involvement

# Chairman's report

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For year ending 30 June 2010

We have concluded another successful year and much of the credit is due to the dedication and commitment of our retiring Director and Chair, Renate Lange. Renate has been associated with the Sandringham **Community Bank**<sup>®</sup> Branch since the establishment of the steering committee in 2001 and has led the Board of Directors for the last eight years.

Although the growth in deposits and lending for the year was modest, in the volatile climate experienced during the 2009/2010 financial year it was pleasing to see the margins improve considerably which resulted in total revenue for the year increasing to \$868,413. This was an increase of 21.8% over the \$712,893 recorded in the previous year. The increased revenue enabled the Board to set aside the significant sum of \$165,000 (\$75,000 last year) as a donation to Bendigo and Adelaide Bank Ltd's Community Enterprise Foundation<sup>™</sup> for future grants to our community. The opportunity was also taken to embark upon a comprehensive advertising campaign in mid year to highlight the community support provided by Sandringham **Community Bank**<sup>®</sup> Branch and to write off a number of equipment items in readiness for the refurbishment of the branch.

Despite the increased contribution to the Community Enterprise Foundation<sup>™</sup>, advertising campaign and write-offs we still achieved a solid profit after tax of \$59,740 (\$61,774 last year).

The Board is pleased that a dividend payment of 6 cents, fully franked, will be paid to shareholders. This is consistent with the dividend payment made in the previous year and is a total distribution of \$36,600.

The following chart gives a summary of the payments made to the community, excluding the contributions to Community Enterprise Foundation<sup>™</sup>:

Financial year	Grants \$	Sponsorships \$	Donations \$	Total \$
2003/04		1,040		<b>1,040</b>
2004/05		1,035		<b>1,035</b>
2005/06		25,168		<b>25,168</b>
2006/07		14,333		<b>14,333</b>
2007/08		68,700	2,420	<b>71,120</b>
2008/09	41,391	48,947	150	<b>90,488</b>
2009/10	62,295	51,586	1,200	<b>115,081</b>

# Chairman's report continued

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Beneficiaries of our grants, sponsorships and donations program for the year were:

- Bayley House
- Bayside Climate Change – Footprint Challenge
- East Sandringham Junior Football Club
- EnPleinAir Art Exhibition
- Grange Road Kindergarten
- Halfmoon Bay Surf Lifesaving Club
- Hampton Cricket Club
- Hampton Junior Soccer Club
- Hampton Rovers Amateur Football Club
- Minties Junior Netball
- Safety House Association
- Sandringham Aged Care
- Sandringham Bowls Club
- Sandringham College
- Sandringham Croquet Club
- Sandringham Football Club
- Sandringham Hospital
- Sandringham Little Athletics Club
- Sandringham Traders Association
- Sandybeach Centre

During the year, our Strategic Plan was reviewed and guidelines set for the next five years. The objectives include growing a strong business and balance sheet to enable increased contributions to be made to the community. There will also be a focus on the training and welfare of the staff to ensure that we have a knowledgeable and friendly team at the branch. The Strategic Plan will be reviewed annually to ensure that objectives are realistic and opportunities are taken to maximise the growth of our business and contributions to the community.

Part of our Strategic Plan is to investigate the feasibility of establishing a branch in the Hampton community. A Steering Committee has been established, chaired by Ian Siebert, and it is well underway in promoting the advantages of a **Community Bank®** branch in Hampton and gauging public reaction. If there is sufficient public support, a feasibility study will be prepared for consideration by the Board. Any branch that is established in Hampton will form part of our corporate structure.

Shareholders have been advised about the refurbishment of the branch. This has been completed at a cost of \$170,000 and has been welcomed by staff and customers and the layout is more customer friendly and with the use of modern technology, is more efficient for transacting banking business and conducting financial discussions.

# Chairman's report continued

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## **Board, staff and Bendigo and Adelaide Bank Ltd**

On 28 June 2010 we welcomed Ian Siebert to the Board. As mentioned earlier, Ian is the Chairman of the Hampton Steering Committee and also brings sound business and community knowledge to the Board.

At the beginning of this report mention was made of the contribution that Renate Lange gave to the Board. Renate will continue to have an interest in the branch through her membership of the Audit Committee and we will continue to seek her counsel from time to time.

Thank you to the Board for the professionalism and commitment to the work load during the year. The demands on the Directors are increasing with much of the work being done outside the normal monthly Board meetings.

The front line of any business is the most important as it projects the culture of that organisation. We are very fortunate at Sandringham to have competent staff, ably led by Matthew Gallop, who provide knowledgeable and friendly service. The Board appreciates their contribution to the success of the Sandringham **Community Bank®** Branch.

As a **Community Bank®** branch we rely on the support of Bendigo and Adelaide Bank Ltd. The Regional Office, led by Janelle Wehsack, has been generous in the time they have given us and the guidance provided. We thank them for their ongoing support and friendly interaction.

## **Shareholders**

Your continued support is much appreciated. With the return of capital in previous years and two years of dividends you are enjoying some rewards on your investment and at the same time know that you have been instrumental in building a business that is making a valuable contribution to the community.



**Graham M Ludecke**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

The year ending 30 June 2010 was a solid year when taking into account the effect the global financial crisis was having on all businesses. Deposits remained steady while our lending book grew by 12% against a target of 10%.

The profile of the business continues to grow as we concentrate on opportunities to spread the **Community Bank®** message. Lending growth is one of our major focuses moving forward as we strive to even up our ratio of lending to deposits. This will in turn improve our profits and provide even further funds for building a better community.

In September this year, at the National **Community Bank®** Conference, we celebrated with Rob Hunt (recently retired Managing Director of Bendigo and Adelaide Bank Ltd and architect of the **Community Bank®** model), the success of more than 260 **Community Bank®** branches, each owned and operated within a local community - and now many are located in suburbs such as ours. He reminded us that our main purpose is the social and environmental strength of our community, and our banking is the enabler to achieve this.

We were very pleased to receive congratulations from Rob Hunt on the success of our collaborative effort with three other **Community Bank®** branches - Beaumaris, Highett and Parkdale/Mentone East, as well as Cheltenham branch, in providing a special Family Room at Sandringham Hospital. This is for families where their baby must stay on in the intensive care nursery until they are able to go home. Each of the **Community Bank®** branches, like ours, is a separate entity entirely run by a community Board of Directors with their own shareholders. Yet, our overriding commitment, to the community, enabled us to work together to develop this community asset.

You will see a long list of other community development activities undertaken by Sandringham **Community Bank®** Branch in the Annual Report. Many people do not realise, that unlike all other banks, a **Community Bank®** branch allows customers to significantly strengthen the local community simply by doing their banking. We are very proud to have returned almost \$320,000 to our clubs, groups and community based organisations with a majority of that in the last three years as our business has grown.

As confirmation of our commitment to our community we have recently undergone an extensive renovation of the branch. This was in part to ensure that we can have more personal discussions with our clients and build stronger and lasting ongoing relationships. While new clients are always important it is imperative that we build stronger ties with our existing clients who are already enjoying the great products and service we provide.

Our dedicated staff continues to provide excellent service and I wish to acknowledge Vikki Baker, Jane Turner, Brooke Robinson and Julie Dunn. I thank them for their professionalism and commitment to the business.

## Manager's report continued

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I express my appreciation to the Board of Directors for their continued support and in particular to retired Chair, Renate Lange, who provided great assistance and guidance over the eight years we worked together.

I would like to thank the Regional Office team at Bendigo and Adelaide Bank Ltd for their support and I am excited by the future of working closely with them to continue to build our business.

This model provides some real opportunities for our community and would I welcome the opportunity to talk to you and see how you can become an active contributor in developing the Sandringham and Hampton communities.

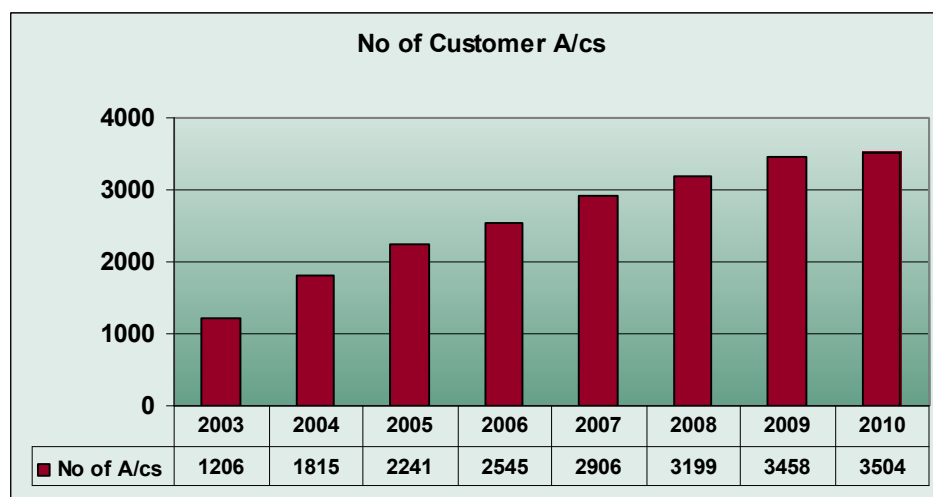
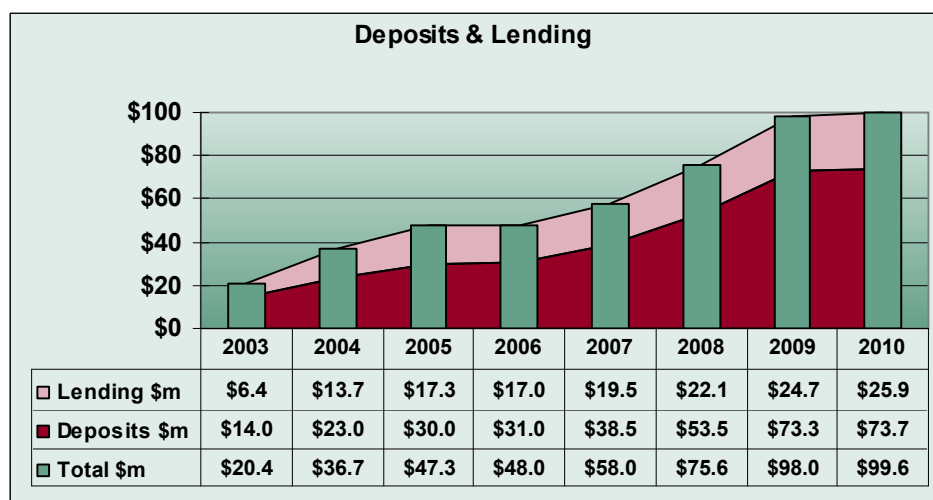
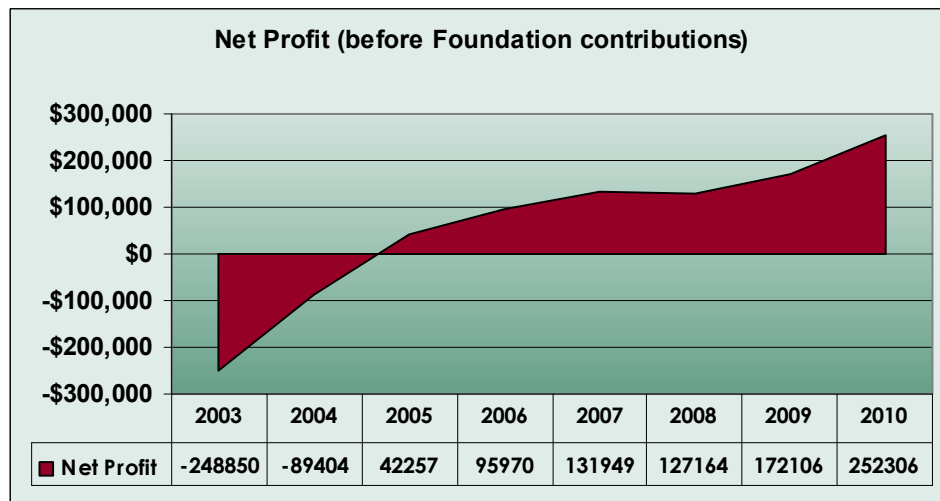


**Matthew Gallop**  
**Branch Manager**



# Performance Graphs

For year ending 30 June 2010



# Bendigo and Adelaide Bank Ltd report

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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 Pyrmont **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

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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

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For the financial year ended 30 June 2010

Your Directors submit the financial 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:

### **Graham Manson Ludecke**

Appointed 24 August 2009

Chair (appointed 1 July 2010)

Retired banker

### **Renate Lange**

Resigned 30 June 2010

Chair (resigned 30 June 2010)

Business proprietor

### **David Marshall**

Director

Business proprietor

### **Campbell John Sinclair**

Director

Company Director

### **Terence Leo Earle**

Director

Business proprietor

### **Frederick John Craven Stringer**

Resigned 16 November 2009

Director

Retired

### **Michael John Davies**

Director & Treasurer

Company Director

### **Glenyss Airdrie Barnes**

Director

Management Consultant

### **Helen Beverley Worlidge**

Resigned 24 July 2009

Director

Author and educator

### **Ian Siebert**

Appointed 28 June 2010

Director

Management Consultant

Directors were in office for this entire year unless otherwise stated.

## 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.

## Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$59,740 (2009: \$61,774).

## Dividends

The Company paid a dividend of 6 cents per share during the year.

# Directors' report continued

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## **Significant changes in the state of affairs**

The Directors advise that consideration is being given to the possible expansion of banking services through the establishment of a branch in Hampton.

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**

An amount of \$170,000 has been expended on refurbishment of the Sandringham Branch in August 2010.

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**

Other than detailed below 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 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.

# Directors' report continued

## Directors' meetings / fees

The number of Directors' meetings attended by each of the Directors of the Company during the year and fees paid to Directors were:

	Board Meetings #	Audit Committee Meetings #	2010 \$	Fees 2009 \$
Graham Manson Ludecke (appointed 24 August 2009)	10 (10)	5 (5)	1,523	-
Renate Lange (resigned 30 June 2010)	10 (11)	4 (5)	1,800	1,800
Terence Leo Earle	10 (11)	3 (5)	1,800	1,800
David Marshall	10 (11)	N/A	1,800	1,800
Campbell John Sinclair	11 (11)	N/A	1,800	1,800
Helen Worlidge (resigned 24 July 2009)	0 (0)	N/A	150	1,800
Frederick Stringer (resigned 16 November 2009)	1 (4)	N/A	969	1,800
Michael John Davies	8 (11)	5 (5)	1,800	1,650
Glenyss Airdrie Barnes	10 (11)	N/A	1,800	1,650
Ian Siebert (appointed 28 June 2010)	1 (1)	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

Gwendoline Zammit was appointed as Company Secretary upon resigning from the Board of Directors in January 2008. Gwen is a CPA, an experienced Company Secretary and holds a Certificate in Governance Practice from Chartered Secretaries Australia.

## Corporate Governance

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

- (a) An audit committee. Members of the audit committee are Michael Davies (Chair), Renate Lange, Terence Earle, Graham Ludecke, Matthew Gallop and Gwendoline Zammit;
- (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.

## Directors' report continued

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### Auditor Independence Declaration

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

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



27 September 2010

The Directors  
Sandringham Community Financial Services Limited  
75 Station Street  
SANDRINGHAM VIC 3191

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 Sandringham Community 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 Sandringham, Victoria on 27 September 2010.

**Graham Manson Ludecke**  
Chairman

# Financial statements

## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	868,413	712,893
Employee expenses	3	(276,491)	(272,251)
Charitable donations and sponsorship		(217,786)	(124,097)
Depreciation and amortisation expense	3	(55,770)	(24,997)
Administration & other expenses from ordinary activities		(231,060)	(194,442)
<b>Profit before income tax expense</b>		<b>87,306</b>	<b>97,106</b>
Income tax expense	4	27,566	35,332
<b>Profit after income tax expense</b>		<b>59,740</b>	<b>61,774</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>59,740</b>	<b>61,774</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	9.79	10.13
- diluted for profit for the year	21	9.79	10.13

The accompanying notes form part of these financial statements.



## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	481,876	440,276
Receivables	7	97,588	74,095
<b>Total current assets</b>		<b>579,464</b>	<b>514,371</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	23,378	56,261
Investments	9	5,373	5,116
Intangible assets	10	21,667	31,667
<b>Total non-current assets</b>		<b>50,418</b>	<b>93,044</b>
<b>Total assets</b>		<b>629,882</b>	<b>607,415</b>
<b>Current liabilities</b>			
Payables	11	20,952	18,229
Current tax liability	4	8,893	9,828
Provisions	12	38,046	40,507
<b>Total current liabilities</b>		<b>67,891</b>	<b>68,564</b>
<b>Total liabilities</b>		<b>67,891</b>	<b>68,564</b>
<b>Net assets</b>		<b>561,991</b>	<b>538,851</b>
<b>Equity</b>			
Share capital	13	518,507	518,507
Retained earnings	14	43,484	20,344
<b>Total equity</b>		<b>561,991</b>	<b>538,851</b>

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 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		907,189	741,307
Cash payments in the course of operations		(811,697)	(655,229)
Interest received		24,096	26,480
Dividend received		257	123
Income tax paid		(28,501)	(47,059)
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>91,344</b>	<b>65,622</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		(12,887)	-
Purchase of investment		(257)	(123)
<b>Net cash flows from/(used in) investing activities</b>		<b>(13,144)</b>	<b>(123)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(36,600)	(36,600)
<b>Net cash flows from/(used in) financing activities</b>		<b>(36,600)</b>	<b>(36,600)</b>
<b>Net increase/(decrease) in cash held</b>		<b>41,600</b>	<b>28,899</b>
Cash and cash equivalents at start of year		440,276	411,377
<b>Cash and cash equivalents at end of year</b>	<b>15a</b>	<b>481,876</b>	<b>440,276</b>

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 \$
<b>Share capital</b>			
Balance at start of year		518,507	518,507
Issue of share capital		-	-
<b>Balance at end of year</b>		<b>518,507</b>	<b>518,507</b>
<b>Retained earnings</b>			
Balance at start of year		20,344	(4,830)
Profit after income tax expense		59,740	61,774
Dividends paid	22	(36,600)	(36,600)
<b>Balance at end of year</b>		<b>43,484</b>	<b>20,344</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### **(a) Basis of preparation**

Sandringham Community 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 9 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

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## 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.

### **Investments**

Investments in listed shares are recorded at cost.

### **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:

<b>Class of asset</b>	<b>Depreciation rate</b>
Property, plant & equipment	5 - 20%

### 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.



## Grants, sponsorships and donations making a difference in your community



◀ Minties Netball Club celebrated their 25th anniversary with new uniforms thanks to a two year Sandringham sponsorship.

▶ Grange Road Kindergarten now has a shade sail to protect the littlies from the elements when playing in the sand pit thanks to a Sandringham grant.



▶ Sarah and Ben helped us launch the **Community Bank®** Family Room at Sandringham Hospital – a jointly funded initiative by four local **Community Bank®** branches and one Company branch costing a total of \$50,000.



▶ Hampton Cricket Club's Abe is proud to show off new "whites". The Sandringham **Community Bank®** Branch is proud of our long-term association with the club who are very supportive of the branch and the current campaign for a Hampton branch.



▶ The Sandringham **Community Bank®** Branch provided a petting zoo at the 2009 Sandringham Village Fair and Farmers Market, to the delight of hundreds of local children.

▶ Geoff Tickner from the Rotary Club of Hampton accepted a cheque on behalf of Shelter Box Australia. This donation provided emergency shelter and supplies for a family in need.



# Notes to the financial statements continued

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## 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.

Contributions to employee superannuation funds are charged against income as incurred.

### **Intangibles**

Franchise fees 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 \$
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## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	844,317	686,290
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### Non-operating activities:

- interest received	24,096	26,603
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<b>Total revenue from ordinary activities</b>	<b>868,413</b>	<b>712,893</b>
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## Note 3. Expenses

### Employee expenses

- wages and salaries	241,957	228,473
- superannuation costs	23,195	20,237
- workers' compensation costs	737	943
- other costs	10,602	22,598
	<b>276,491</b>	<b>272,251</b>



## Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses (continued)		
<b>Depreciation of non-current assets:</b>		
- plant and equipment	45,770	14,998
<b>Amortisation of non-current assets:</b>		
- intangibles	10,000	9,999
	<b>55,770</b>	<b>24,997</b>
Bad debts	4,204	2,157

## 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%	26,192	29,132
Add tax effect of:		
- Non deductible expenses	3,000	3,000
- Under/(Over)provision of tax in prior year	(1,626)	3,200
<b>Current income tax expense</b>	<b>27,566</b>	<b>35,332</b>
<b>Income tax expense</b>	<b>27,566</b>	<b>35,332</b>
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>8,893</b>	<b>9,828</b>

## 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 services	2,037	1,800
	<b>5,937</b>	<b>5,450</b>

## Note 6. Cash and cash equivalents

Cash at bank and on hand	471,126	429,526
Security deposit	10,750	10,750
	<b>481,876</b>	<b>440,276</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 7. Receivables

<b>Trade debtors</b>	<b>97,588</b>	<b>74,095</b>
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### Note 8. Property, plant and equipment

Property, plant and equipment	28,604	176,435
Less accumulated depreciation	(5,226)	(120,174)
	<b>23,378</b>	<b>56,261</b>

#### Movements in carrying amounts

##### Property, plant and equipment

Carrying amount at beginning of year	56,261	71,259
Additions	12,887	-
Disposals	-	-
Depreciation expense	(45,770)	(14,998)
<b>Carrying amount at end of year</b>	<b>23,378</b>	<b>56,261</b>

### Note 9. Investments

<b>Listed shares at cost</b>	<b>5,373</b>	<b>5,116</b>
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### Note 10. Intangible assets

#### Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(28,333)	(18,333)
	<b>21,667</b>	<b>31,667</b>

### Note 11. Payables

GST payable	102	2,501
Other creditors and accruals	20,850	15,728
	<b>20,952</b>	<b>18,229</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 12. Provisions</b>		
<b>Employee benefits</b>	<b>38,046</b>	<b>40,507</b>

## Note 13. Share capital

610,008 Ordinary shares fully paid to 85 cents	518,507	518,507
	<b>518,507</b>	<b>518,507</b>

## Note 14. Retained earnings

Balance at the beginning of the financial year	20,344	(4,830)
Profit after income tax	59,740	61,774
Dividend paid	(36,600)	(36,600)
<b>Balance at the end of the financial year</b>	<b>43,484</b>	<b>20,344</b>

## Note 15. Statement of cash flows

### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>481,876</b>	<b>440,276</b>
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### (b) Reconciliation of profit after tax to net cash provided from/ (used in) operating activities

Profit after income tax	59,740	61,774
Non cash items		
- Depreciation	45,770	14,998
- Amortisation	10,000	9,999
Changes in assets and liabilities		
- (Increase) decrease in receivables	(23,493)	(8,436)
- Increase (decrease) in payables	2,723	(10,831)
- Increase (decrease) in provisions	(2,461)	9,845
- Increase (decrease) in income tax payable	(935)	(11,727)
<b>Net cash flows from/ (used in) operating activities</b>	<b>91,344</b>	<b>65,622</b>

# Notes to the financial statements continued

## Note 16. Director and related party disclosures

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

Graham Ludecke (appointed 24 August 2009)  
 Renate Lange (resigned 30 June 2010)  
 Terence Leo Earle  
 David Marshall  
 Campbell John Sinclair  
 Helen Worlidge (resigned 24 July 2009)  
 Frederick Stringer (resigned 16 November 2009)  
 Michael John Davies  
 Glenyss Airdrie Barnes  
 Ian Siebert (appointed 28 June 2010)

Directors' shareholdings / fees	Fees		Shareholding	
	2010 \$	2009 \$	2010	2009
Graham Ludecke (appointed 24 August 2009)	1,523	-	6,500	-
Renate Lange (resigned 30 June 2010)	1,800	1,800	5,701	5,701
Terence Leo Earle	1,800	1,800	4,001	4,001
David Marshall	1,800	1,800	2,000	2,000
Campbell John Sinclair	1,800	1,800	1,500	1,500
Helen Worlidge (resigned 24 July 2009)	150	1,800	501	501
Frederick Stringer (resigned 16 November 2009)	969	1,800	-	-
Michael John Davies	1,800	1,650	1,000	1,000
Glenyss Airdrie Barnes	1,800	1,650	3,000	3,000
Ian Siebert (appointed 28 June 2010)	-	-	-	-

With the exception of 6,500 share purchased by Graham Ludecke there was no movement in Director shareholdings during the year.

Each share held has a paid up value of 85 cents (2009: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

## Notes to the financial statements continued

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### Note 17. Subsequent events

An amount of \$170,000 has been expended on refurbishment of the Sandringham Branch in August 2010.

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

### Note 18. Contingent liabilities

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

### Note 19. 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 Sandringham, Victoria.

### Note 20. Corporate information

Sandringham Community Financial Services Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

75 Station Street,  
Sandringham VIC 3191.

	2010 \$	2009 \$
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### Note 21. 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:

<b>Profit after income tax expense</b>	<b>59,740</b>	<b>61,774</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>610,008</b>	<b>610,008</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 22. Dividends paid or provided for on ordinary shares

#### (a) Dividends paid during the year

##### (i) Previous year final

Franked dividends - 6 cents per share (2009: 6 cents per share)	36,600	36,600
	<b>36,600</b>	<b>36,600</b>

#### (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.	41,993	31,373
Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	8,893	9,828
	<b>50,886</b>	<b>41,201</b>

The tax rate at which dividends have been franked is 30% (2009: 30%).

### Note 23. 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, investments 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:

## Notes to the financial statements continued

### Note 23. Financial risk management (continued)

#### (a) Credit risk (continued)

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	481,876	440,276
Investments	5,373	5,116
Receivables	97,588	74,095
	<b>584,837</b>	<b>519,487</b>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are 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.

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 \$
<b>30 June 2010</b>					
Payables	20,952	(20,952)	(20,952)	-	-
	<b>20,952</b>	<b>(20,952)</b>	<b>(20,952)</b>	<b>-</b>	<b>-</b>
<b>30 June 2009</b>					
Payables	18,229	(18,229)	(18,229)	-	-
	<b>18,229</b>	<b>(18,229)</b>	<b>(18,229)</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements continued

## Note 23. Financial risk management (continued)

### (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:

	<b>Carrying amount</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed rate instruments</b>		
Financial assets	289,479	32,802
Financial liabilities	-	-
	<b>289,479</b>	<b>32,802</b>
<b>Variable rate instruments</b>		
Financial assets	192,397	407,474
Financial liabilities	-	-
	<b>192,397</b>	<b>407,474</b>

#### 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.



# Notes to the financial statements continued

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## Note 23. 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 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

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In accordance with a resolution of the Directors of Sandringham Community 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.



**Graham Manson Ludecke**  
**Chairman**

Signed at Sandringham, Victoria on 27 September 2010.

# Independent audit report

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## Richmond Sinnott & Delahunty Chartered Accountants



### **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SANDRINGHAM COMMUNITY FINANCIAL SERVICES LIMITED**

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

#### **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 Sandringham Community 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.

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.

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Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

### **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 Sandringham Community 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 year 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: 27 September 2010

# BSX report

## Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 22 September 2010, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	210
1,001 to 5,000	87
5,001 to 10,000	8
10,001 to 100,000	7
100,001 and over	0
<b>Total shareholders</b>	<b>312</b>

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 4 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$0.85c per share. There are no unquoted equity securities.

## The following table shows the 10 largest shareholders

Shareholder	Number of shares	Percentage of capital
Richard Everitt Thorne	29,500	4.84%
Winpar Holdings Limited	26,000	4.26%
Fleray Pty Ltd as trustee for <Senior Super Fund A/C>	20,000	3.28%
Maslen Pty Ltd	20,000	3.28%
Nikstan Constructions P/L as trustee for <Melbourne Property Holdings Unit Trust A/C>	20,000	3.28%
Gerald Francis Pauley & Michael James Pauley as trustee for <Pauley Super Fund A/C>	17,000	2.79%
Ruth Trait	12,500	2.05%

## BSX report continued

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The following table shows the 10 largest shareholders (continued)

Shareholder	Number of shares	Percentage of capital
Elizabeth Fordyce & Margaret Fordyce	10,000	1.64%
Estate Late Peter Welsh as trustee for <Peter Welsh S/Fund A/C>	10,000	1.64%
Kevin Brennan as Trustee for <Brennan Super Fund A/C>	10,000	1.64%
	<b>175,000</b>	<b>28.69%</b>

### Registered office and principal administrative office

The registered office of the Company is located at:

75 Station Street,  
Sandringham VIC 3191  
Phone: (03) 9521 6488

The principal administrative office of the Company is located at:

75 Station Street,  
Sandringham VIC 3191  
Phone: (03) 9521 6488

### Security register

The security register (share register) is kept at:

Richmond Sinnott & Delahunty Pty Ltd  
Woodbury Court,  
172-176 Mclvor Road,  
Bendigo VIC 3552  
Phone: (03) 5443 1177

### Company Secretary

The Company Secretary is

Gwendoline Zammit  
Phone: (03) 9521 6488

## BSX report continued

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### **Corporate Governance**

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

- (a) The establishment of an audit committee.
- (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.

### **Annexure 3A**

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.









Sandringham **Community Bank®** Branch  
75 Station Street, Sandringham VIC 3191  
Phone: (03) 9521 6488

Franchisee: Sandringham Community Financial Services Limited  
75 Station Street, Sandringham VIC 3191  
Phone: (03) 9521 6488  
ABN: 86 099 131 192

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10023) (07/10)