

annual report 2011



Sandringham Community
Financial Services Limited
ABN 86 099 131 192

Sandringham **Community Bank**[®] Branch

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Centre spread feature - Community involvement

Chairman's report

For year ending 30 June 2011

With continued growth in our business we have been able to achieve another successful year.

Deposit growth was good, however Lending growth was modest as borrowers accelerated repayments on their home loans, in the volatile economic climate that continued during the 2010/11 financial year. Our margins contracted towards the year end as the profit sharing arrangement between our bank and Bendigo and Adelaide Bank Ltd was adjusted to reduce our margin income on selected products by 25%. Despite this reduction in our income we were able to increase our total Revenue for the year to \$935,223. This was an increase of 7.69% over the \$868,413 recorded in the previous year.

The increased Revenue enabled the Board to set aside the sum of \$125,000 as a donation to the Bendigo and Adelaide Bank Ltd Community Enterprise Foundation™ for future grants to our community. After allowing for the contribution to the Foundation we achieved a solid Profit before Tax of \$143,822 (\$87,306 last year). In addition, we also expect to receive an Income Tax benefit of \$33,438 (expense of \$27,566 last year) after taking into account the Investment Allowance we received on the refurbishment of the Bank in September 2010.

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 table shows the Return of Capital and Dividend Payments:

Calendar year	2005	2007	2008	2009	2010	2011	Total
Return of capital	6 cents	9 cents					
Dividend			6 cents	6 cents	6 cents	6 cents	
Total distribution	\$ 36,600	\$ 54,900	\$ 36,600	\$ 36,600	\$ 36,601	\$ 36,600	\$ 237,901

The following chart gives a summary of the payments made to the community, excluding the contributions to the Bendigo and Adelaide Bank Ltd Community Enterprise Foundation™:

Financial year	Foundation grants	Sponsorships	Donations	Total
2003/04		1,040		1,040
2004/05		1,035		1,035
2005/06		25,168		25,168
2006/07		14,333		14,333
2007/08		68,700	2,420	71,120
2008/09	41,391	48,947	150	90,488
2009/10	62,295	51,586	1,200	115,081
2010/11	71,260	41,627		112,887
Total grants, sponsorships and donations paid to the community since establishment				\$ 431,152

Chairman's report continued

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

Bayley House	St John Baptist Kindergarten
Black Rock Bowls & Tennis Club	Sandringham Aged Care Association (Fairways)
East Sandringham Junior Football Club	Sandringham Bowls Club
Grange Road Kindergarten	Sandringham Croquet Club
Hampton Cricket Club	Sandringham Football Club
Hampton Junior Soccer Club	Sandringham Lifesaving Club
Hampton Primary School Twilight Fair	Sandringham Little Athletics Club
Hampton Rovers Amateur Football Club	Sandringham Village Fair
Janet Mundy Kindergarten	Sandringham Youth Netball Association
MacKillop Family Services	SandyBeach Centre
Minties Junior Netball	Stand Up Paddle
Moorabbin Umpires Association	

Our Strategic objectives include growing a strong business and balance sheet to enable increased contributions to be made to the community. We will continue to provide a safe and friendly environment for our staff to deliver quality service to our customers for all their banking needs. Staff development will continue to be a priority to ensure that their banking knowledge remains current and that they have the solutions to meet the issues facing our community.

We continue to explore the opportunities in Hampton and to build on the efforts to date we will be refreshing the Hampton Steering Committee to assess the public response to the establishment of a **Community Bank®** branch in Hampton. Our goal is to raise sufficient capital from the Hampton Community to establish the Bank as part of our corporate structure without the need to dilute a significant amount of our Capital.

Sandringham Community Bank® Branch

The refurbishment of the branch was completed in September 2010 at a cost of \$170,000 and has proven to be a great success with both staff and customers. Without the usual bank counters a much friendlier environment has been established and with the use of modern technology the bank is able to conduct business with customers in a more efficient manner.

As was widely reported a Metro train over shot the rail barrier and struck the rear of the branch in March 2011 which disrupted our service for three days. The accident happened at night when the branch was vacant and only structural damage was done to the rear of the building. Repairs have now been completed and banking operations are back to normal. Compensation for the damage and inconvenience has been settled with Metro Trains. During the inconvenience, the support of the staff, customers and the community was greatly appreciated by the Board of Directors and highlighted the strong standing of the branch in the community.

Board, staff and Bendigo and Adelaide Bank Ltd

During the year three new Directors joined the Board, Glen Kruger, Helen Searle and Kim Visek-Johnson. They all bring individual skills to the Board and we look forward to their contribution to the growth of our bank.

Terry Earle retired from the Board on 30 June 2011 to concentrate on his Gallery business and we thank Terry for his long association with the branch and the valued contribution he made to the Board and Audit Committee. The knowledge and wise counsel Terry brought to the Board will be missed and we wish him every success for the future.

Chairman's report continued

Thanks to the Board members for their contribution and commitment to the work load during the year. There are heavy demands on our Directors, not only with attendance at Board and Committee meetings but with much of the work being done away from these meetings.

The branch continues to be lead by Branch Manager, Matthew Gallop with a competent and friendly staff. Their sound knowledge and willingness to assist our customers is much appreciated by the Board.

The support and guidance of the Bendigo and Adelaide Bank Ltd and in particular the Regional Office, led by Janelle Wehsack, has been appreciated and we thank them for their ongoing assistance and friendly interaction.

Shareholders

The continued support of our shareholders is much appreciated and with the return of capital and the dividends paid over recent years you are enjoying the rewards on your investment. Through this investment you have assisted in developing our banking business which in turn enables us to contribute a substantial amount of our profit to our local community.



Graham M Ludecke
Chairman

Manager's report

For year ending 30 June 2011

The year ending 30 June 2011 was a successful year with strong deposit growth of \$14.7 million. While approving in excess of \$6 million of loans for the year we saw a net increase in our loan balances of just over \$2 million. Total balances under management increased by 17% to \$115.7 million.

Pressure continued on our margin income as covered in the Chairman's report but a strong profit was achieved even after strong support for our sponsors and the substantial donation to the Community Enterprise Foundation™.

We continue to achieve our excellent growth primarily from doing additional business with our existing clients with a concerted effort in the coming year to attract many more new clients by "telling our story" to the Sandringham and Hampton communities. Referrals from existing satisfied clients are proving to assist in this regard and to build some new strong relationships. As shareholders I urge you to assist us in this area and to refer your family and friends. We believe our customer service is second to none and our product range is extensive and very competitive.

With \$430,000 returned to our community to date, and the upcoming commencement of our annual grants and sponsorship program, we continue our work in strengthening the community we all live in and to assist clubs, community groups and organisations to meet the dreams of their members and clients. I thank the committees and members of these organisations who make me feel very welcome when I attend their functions and provide me ample opportunity to meet and talk to their members.

While our long term staff member Vikki Baker left us during the year, we were very fortunate to have two fantastic new staff join us in Kathryn Harvey and Siobhan Boyle. Along with Jane Turner, Brooke Robinson and Julie Dunn we have an experienced and extremely capable staff. I thank them for their commitment and support during the year for both our customers and myself but never more evident when we were unexpectedly closed for a few days in March when the Metro train struck the branch.

The Board of Directors have again provided very strong support and their assistance is critical to our success.

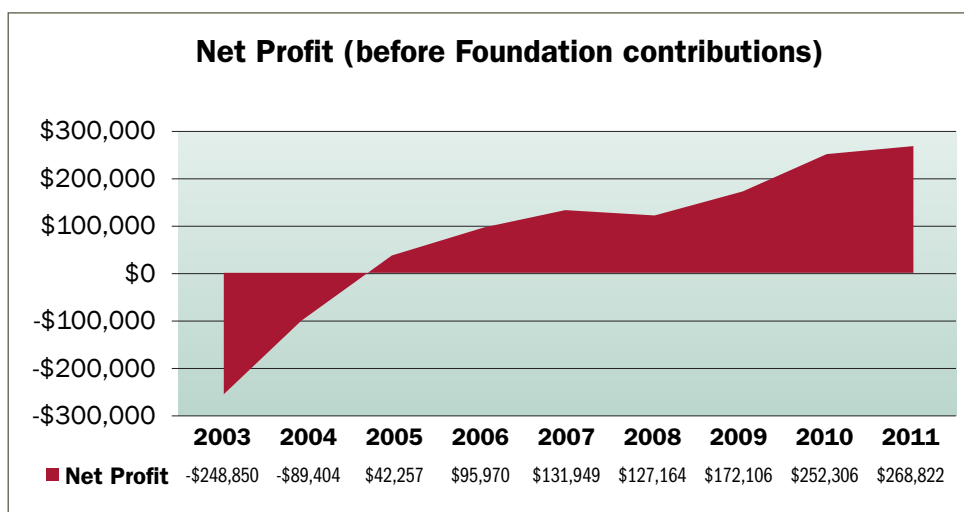
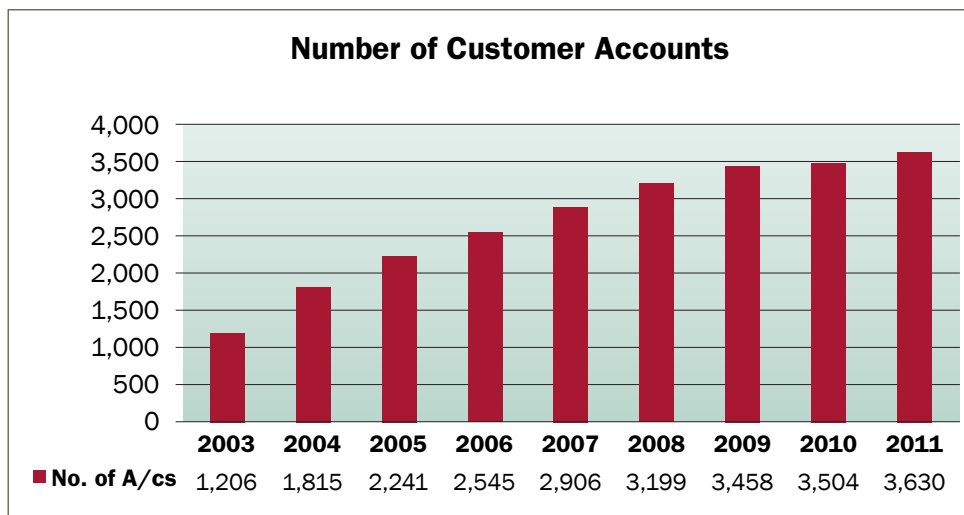
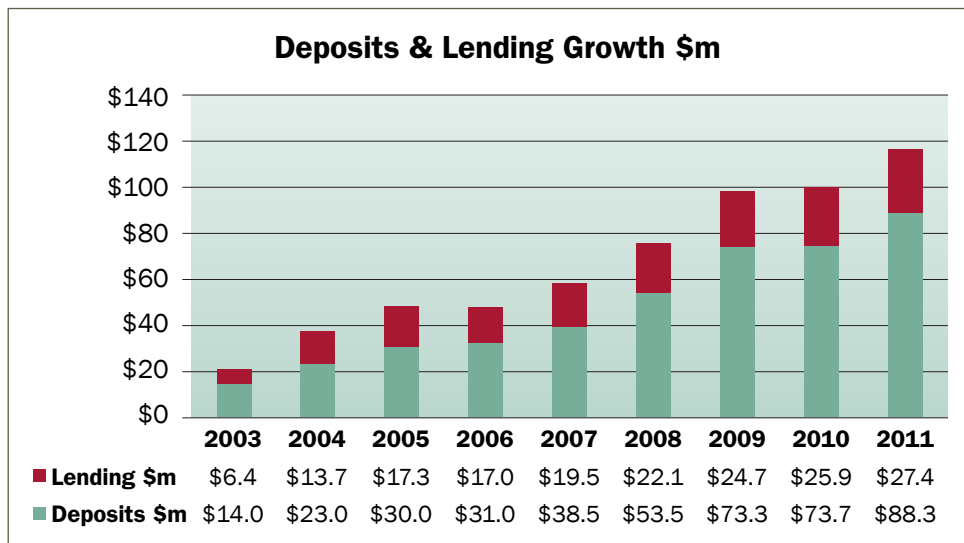
I wish to also acknowledge my appreciation of the staff at Bendigo and Adelaide Bank Ltd, in particular our Regional Manager Janelle Wehsack, in providing strong support for both the business and myself.

The local community has made this business the success it is and we look forward to a strong future and to strengthen the outcome from your investment in your community.



Matthew Gallop
Branch Manager

Performance graphs



Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**[®] Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial 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:

Graham Manson Ludecke

Chair (appointed 1 July 2010)

Retired Banker

Glenyss Airdrie Barnes

Director

Management Consultant

Michael John Davies

Director & Treasurer

Company Director

Terence Leo Earle

Director (Resigned 30 June 2011)

Business proprietor

Glen Hay Kruger

Director (Appointed 28 February 2011)

Business Consultant

David Ashley Marshall

Director (resigned 27 September 2010)

Business proprietor

Helen Diana Searle

Director (Appointed 28 February 2011)

Company Director

Ian Richard Siebert

Director

Management Consultant

Campbell John Sinclair

Director

Company Director

Kim Visek-Johnson

Director (Appointed 28 February 2011, Resigned 8 August 2011)

Finance Superannuation 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.

Review of operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$177,260 (2010: \$59,740).

Directors' report continued

Review of operations (continued)

On 9 March 2011 there was damage to the bank premises caused by the impact of a train. Banking services were suspended for a period of time and provided by nearby **Community Bank**[®] branches. The Company does not expect this incident to have a material impact on financial performance.

Dividends	Year ended 30 June 2011	
	Cents	\$
Dividends paid in the year:	6	36,601

Significant changes in the state of affairs

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

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

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.

The Managers performance is reviewed annually by both Bendigo and Adelaide Bank Ltd and the Board and his salary is reviewed in the light of his performance, management of the business and extended responsibilities on Board Committees. Directors fees are reviewed annually when the Board review is conducted.

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.

Directors' report continued

Indemnification and insurance of Directors and Officers (continued)

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

Directors' meetings / 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 #	Fees	
			2011 \$	2010 \$
Graham Manson Ludecke (appointed 1 July 2010)	11(12)	6(6)	3,000	1,523
Glenyss Airdrie Barnes	12(12)	N/A	2,400	1,800
Michael John Davies	10(12)	5(6)	2,400	1,800
Terence Leo Earle (resigned 30 June 2011)	10(12)	2(6)	1,800	1,800
Glen Hay Kruger (appointed 28 February 2011)	5(5)	N/A	600	-
David Ashley Marshall (resigned 27 September 2010)	1(2)	N/A	450	1,800
Helen Diana Searle (appointed 28 February 2011)	5(5)	N/A	600	-
Ian Richard Siebert	12(12)	N/A	2,400	-
Campbell John Sinclair	10(12)	N/A	1,800	1,800
Kim Visek-Johnson (28 February 2011 - 8 August 2011)	2(5)	N/A	600	-

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:

- An Audit Committee. Members of the audit committee are Michael Davies (Chair), Renate Lange, Terence Earle (Resigned 30 June 2011), Graham Ludecke, Matthew Gallop and Gwendoline Zammit;
- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans.

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.

Directors' report continued

Non audit services (continued)

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:




19 September 2011

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

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 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

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on 19 September 2011.



Graham Manson Ludecke

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	935,223	868,413
Employee expenses	3	(311,797)	(276,491)
Charitable donations and sponsorship		(166,627)	(217,786)
Depreciation and amortisation expense	3	(29,397)	(55,770)
Other expenses		(283,580)	(231,060)
Profit before income tax expense		143,822	87,306
Income tax (expense) / benefit	4	33,438	(27,566)
Profit after income tax expense		177,260	59,740
Other comprehensive income		-	-
Total comprehensive income		177,260	59,740
Earnings per share (cents per share)			
- basic for profit for the year	21	29.06	9.79
- diluted for profit for the year	21	29.06	9.79

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	444,701	481,876
Receivables	7	107,217	97,588
Current tax refundable	4	15,190	-
Total current assets		567,108	579,464
Non-current assets			
Deferred tax asset	4	34,033	-
Property, plant and equipment	8	167,940	23,378
Investments	9	5,689	5,373
Intangible assets	10	11,667	21,667
Total non-current assets		219,329	50,418
Total assets		786,437	629,882
Current liabilities			
Payables	11	46,368	20,952
Current tax liability	4	-	8,893
Provisions	12	37,419	38,046
Total current liabilities		83,787	67,891
Total liabilities		83,787	67,891
Net assets		702,650	561,991
Equity			
Share capital	13	518,507	518,507
Retained earnings	14	184,143	43,484
Total equity		702,650	561,991

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,002,062	907,189
Cash payments in the course of operations		(835,121)	(811,697)
Interest received		21,122	24,096
Dividend received		316	257
Income tax paid		(24,678)	(28,501)
Net cash flows from/(used in) operating activities	15b	163,701	91,344
Cash flows from investing activities			
Purchase of property, plant and equipment		(163,959)	(12,887)
Purchase of investment		(316)	(257)
Net cash flows from/(used in) investing activities		(164,275)	(13,144)
Cash flows from financing activities			
Dividends paid		(36,601)	(36,600)
Net cash flows from/(used in) financing activities		(36,601)	(36,600)
Net increase/(decrease) in cash held		(37,175)	41,600
Cash and cash equivalents at start of year		481,876	440,276
Cash and cash equivalents at end of year	15a	444,701	481,876

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Share capital			
Balance at start of year		518,507	518,507
Issue of share capital		-	-
Balance at end of year		518,507	518,507
Retained earnings			
Balance at start of year		43,484	20,344
Profit after income tax expense		177,260	59,740
Dividends paid	22	(36,601)	(36,600)
Balance at end of year		184,143	43,484

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 19 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.

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.

Notes to the financial statements continued

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

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:

Class of asset	Depreciation rate
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.

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.

Notes to the financial statements continued

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the 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.

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.

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.

Grants, sponsorships and donations making a difference in your community



◀ Sponsorship of the Sandringham Village Fair enabled this event to continue to grow. The event brings together traders, community groups and sporting clubs, showcasing all Sandringham has to offer to over 20,000 visitors.....or similar!



▶ Four local **Community Bank**[®] branches and one Company branch jointly funded a Family Room at Sandringham Hospital to provide a safe haven for parents and family members in need of some private time. A total of \$50,000 was provided so that local communities could directly benefit from this joint venture.

▶ Sponsorship of the Hampton Cricket Club has provided essential sports equipment and subsidised fees for disadvantaged children in the Sandringham and Hampton communities. This long term relationship with the club has enabled mutually rewarding benefits for all involved.



◀ Sponsorship of the Hampton Rovers has enabled the club to provide football equipment to over 550 junior players and over 100 senior players. In the past 2 years, the Bendigo Bank has increased their sponsorship creating a fantastic synergy between the club and the bank to benefit the Bayside communities.



◀ In their second year of sponsorship, Minties Netballers are thrilled to show off their new uniforms proudly sponsored by Sandringham **Community Bank**[®] Branch.

▶ The funding of a colour print centre has been immensely valuable to Sandybeach Centre. Its sophisticated functions have saved them a great deal of time and effort in producing professional documents. Sandybeach Centre are extremely grateful to the Sandringham **Community Bank**[®] Branch for their generous support.



Notes to the financial statements continued

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

Comparative figures

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

	2011	2010
	\$	\$
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	913,785	844,317
Non-operating activities:		
- interest received	21,438	24,096
	935,223	868,413

Note 3. Expenses

Employee expenses

- wages and salaries	273,209	241,957
- superannuation costs	25,122	23,195
- workers' compensation costs	894	737
- other costs	12,572	10,602
	311,797	276,491

Depreciation of non-current assets:

- plant and equipment	19,397	45,770
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Amortisation of non-current assets:

- intangibles	10,000	10,000
	29,397	55,770

Bad debts	358	4,204
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Notes to the financial statements continued

	2011 \$	2010 \$
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%	43,147	26,192
Add tax effect of:		
- Non deductible expenses	3,000	3,000
- Under/(over)provision of tax in prior year	595	(1,626)
Investment Allowance	(80,180)	-
Current income tax expense / (benefit)	(33,438)	27,566
Income tax expense / (benefit)	(33,438)	27,566
Deferred tax assets & liabilities		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.	34,033	-
Tax liabilities		
Current tax payable/(refundable)	(15,190)	8,893

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	3,600	3,900
- Share registry services	3,560	2,037
	7,160	5,937

Note 6. Cash and cash equivalents

Cash at bank and on hand	433,951	471,126
Security deposit	10,750	10,750
	444,701	481,876

Notes to the financial statements continued

	2011 \$	2010 \$
Note 7. Receivables		
Trade debtors and other accruals	107,217	97,588

Note 8. Property, plant and equipment

Property, plant and equipment	192,563	28,604
Less accumulated depreciation	(24,623)	(5,226)
	167,940	23,378

Movements in carrying amounts

Property, plant and equipment

Carrying amount at beginning of year	23,378	56,261
Additions	163,959	12,887
Disposals	-	-
Depreciation expense	(19,397)	(45,770)
Carrying amount at end of year	167,940	23,378

Note 9. Investments

Listed shares at cost	5,689	5,373
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Note 10. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(38,333)	(28,333)
	11,667	21,667

Note 11. Payables

GST payable	8,715	102
Other creditors and accruals	37,653	20,850
	46,368	20,952

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 12. Provisions		
Employee benefits	37,419	38,046
Movement in employee benefits		
Opening balance	38,046	40,507
Additional provisions recognised	21,183	3,207
Amounts utilised during the year	(21,810)	(5,668)
Closing balance	37,419	38,046

Note 13. Share capital

610,008 Ordinary shares fully paid to 85 cents	518,507	518,507
	518,507	518,507

Note 14. Retained earnings

Balance at the beginning of the financial year	43,484	20,344
Profit after income tax	177,260	59,740
Dividend paid	(36,601)	(36,600)
Balance at the end of the financial year	184,143	43,484

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	444,701	481,876
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	177,260	59,740
Non cash items		
- Depreciation	19,397	45,770
- Amortisation	10,000	10,000

Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(9,629)	(23,493)
- (Increase) decrease in deferred tax assets	(34,033)	-
- Increase (decrease) in payables	25,416	2,723
- Increase (decrease) in provisions	(627)	(2,461)
- Increase (decrease) in income tax payable / refundable	(24,083)	(935)
Net cashflows from/ (used in) operating activities	163,701	91,344

Note 16. Director and related party disclosures

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

Graham Manson Ludecke (appointed 1 July 2010)
 Glenyss Airdrie Barnes
 Michael John Davies
 Terence Leo Earle (resigned 30 June 2011)
 Glen Hay Kruger (appointed 28 February 2011)
 David Ashley Marshall (resigned 27 September 2010)
 Helen Diana Searle (appointed 28 February 2011)
 Ian Richard Siebert
 Campbell John Sinclair
 Kim Visek-Johnson (28 February 2011 - 8 August 2011)

Directors' shareholdings / fees	Fees		Shareholding	
	2011 \$	2010 \$	2011	2010
Graham Manson Ludecke (appointed 1 July 2010)	3,000	1,523	6,500	6,500
Glenyss Airdrie Barnes	2,400	1,800	3,000	3,000
Michael John Davies	2,400	1,800	1,000	1,000
Terence Leo Earle (resigned 30 June 2011)	1,800	1,800	4,001	4,001
Glen Hay Kruger (appointed 28 February 2011)	600	-	-	-
David Ashley Marshall (resigned 27 September 2010)	450	1,800	2,000	2,000
Helen Diana Searle (appointed 28 February 2011)	600	-	-	-
Ian Richard Siebert	2,400	-	-	-
Campbell John Sinclair	1,800	1,800	1,500	1,500
Kim Visek-Johnson (28 February 2011 - 8 August 2011)	600	-	-	-

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

There was no movement in Director' shareholdings during the year.

Each share held has a paid up value of 85 cents (2010: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

Note 17. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

The Company is pursuing a claim for compensation in the order of \$20,000 against Metro Trains for interruption to its business services and associated costs following damage to its premises in March 2011.

There were no other contingent liabilities or assets 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

Notes to the financial statements continued

	2011 \$	2010 \$
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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:

Profit after income tax expense	177,260	59,740
Weighted average number of ordinary shares for basic and diluted earnings per share	610,008	610,008

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 (2010: 6 cents per share)	36,601	36,600
	36,601	36,600

(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		53,947
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(15,190)	8,893
	38,757	50,886

The tax rate at which dividends have been franked is 30% (2010: 30%).

Notes to the financial statements continued

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:

	Carrying amount	
	2011	2010
	\$	\$
Cash assets	444,701	481,876
Investments	5,689	5,373
Receivables	107,217	97,588
	557,607	584,837

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 (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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	46,368	(46,368)	(46,368)	-	-
	46,368	(46,368)	(46,368)	-	-
30 June 2010					
Payables	20,952	(20,952)	(20,952)	-	-
	20,952	(20,952)	(20,952)	-	-

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	401,219	289,479
Financial liabilities	-	-
	401,219	289,479

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2011 \$	2010 \$
Variable rate instruments		
Financial assets	43,482	192,397
Financial liabilities	-	-
	43,482	192,397

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.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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

Directors' declaration

In accordance with a resolution of the Directors of Sandringham Community Financial Services Limited, I state that:

In the opinion of the Directors:

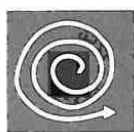
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting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



Graham Manson Ludecke

Signed at Sandringham, Victoria on 19 September 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SANDRINGHAM COMMUNITY
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 Sandringham Community 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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Deiahunty • Brett A Andrews
Level 2, 10-16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsd advisors.com.au
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

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 2011 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: 19 September 2011

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 22 September 2011, 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	207
1,001 to 5,000	84
5,001 to 10,000	9
10,001 to 100,000	7
100,001 and over	0
Total shareholders	307

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
Thomas Leigh Pty Ltd as trustee for <The Waring Family Superannuation Fund A/C>	19,500	3.20
Ruth Trait	12,500	2.05
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
		29.10

BSX report continued

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
Level 2,
10-16 Forest Street,
Bendigo VIC 3550
Phone: (03) 5445 4200

Company Secretary

The Company Secretary is
Gwendoline Zammit
Phone: (03) 9521 6488

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
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11110) (09/11)

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