Annual Report 2016

Sandringham Community Financial Services Limited

ABN 86 099 131 192

Sandringham **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2016

Our achievements

The result for the financial year ending to 30 June 2016 was most pleasing. Net profit after tax was $15,798 (2015 $85,111). This was after we increased our charitable donations and sponsorships from $20,664 in 2015 to $104,985 in 2016 and included a contribution of $50,000 to the Bendigo and Adelaide Bank Limited's Community Enterprise Foundation™. These funds will be used in future years for grants to our local communities.

Our total assets are $898,006 and total equity is $778,523.

Total business showed solid growth over the year and reached a significant milestone of $150.2 million an increase from $137.5 million in 2015.

Consistent with previous years a Fully Franked Dividend payment of 6 cents per share will be paid to shareholders. This distribution of $36,600 brings the funds returned to shareholder by Return of Capital and Dividends to $420,900.

We have signed a new Franchise Agreement with the Bendigo and Adelaide Bank Limited effective from 1 July 2016 and under this new Franchise Agreement there will be a changed transfer pricing system for our banking products. Previously we received commission on some of our core products and a share of the interest margin on others. From 1 July 2016 we will share the interest margin with Bendigo and Adelaide Bank Limited on all of our core products and if the mix of our business remains much the same in the future we expect to benefit from a small additional profit over what we may have expected under the previous revenue model.

The banking environment will continue to be competitive with low interest rates for the foreseeable future, however with our strong customer base and business we expect to be able to show a modest increase in our profit for the year to 30 June 2017.

Our community

Total distributions to our community by way of sponsorships, donations and grants during the year, amounted to $107,640.

Total grants, sponsorships and donations paid to the community since establishment is $928,651.

With our planned contributions to the community early in the 2016/17 financial year we will exceed $1 million in grants, sponsorships and donations paid to our community since establishment.

Beneficiaries of our grants, sponsorships and donations program for the year are shown in the community section of this report.

Our strategy

Maintaining a strategy of growing and retaining our business continues to be a priority.

With continued growth and a strong balance sheet we will be in a good position to support our community into the future. Using our grants and sponsorships to develop new business together with our business development activities with local businesses we are well placed to yield good results and increase our banking business.

Our people

We continue to providing a safe and friendly working environment for our staff to deliver a full range of quality products and service to our customers. Staff training and development continues to be a priority to ensure that their banking knowledge remains current and that they have the solutions to meet the banking needs of our community.

Chairman’s report (continued)

Matthew Gallop, our Manager, leads a competent and friendly staff. Their knowledge of all banking products and willingness to assist our customers is a major point of difference from the other banks. Matthew and his team are active in representing the Branch at many community events during the year.

The Board remains diligent in their duties and I am grateful for the strong support they give to the branch. During the year we reviewed our Succession Planning and recruited two additional Directors to strengthen our Board skills and share the workload of Board Committees and promoting the Branch in the community.

We also acknowledge the support we received from our Regional Manager, Michelle McDonald and her team. We thank them for their ready assistance and guidance.

Our shareholders

Thank you for your ongoing support and the business that many of you transact at our branch. We trust that the return of capital and dividends we have paid represent a good return for the investment you have made in the branch and the community.

Graham M Ludecke
Chairman

Manager's report

For year ending 30 June 2016

The Sandringham **Community Bank**® Branch has been trading now for over 14 years and had a pleasing year having exceeded both our lending and deposit targets.

We achieved growth of $7.8 million in our deposits taking balances to $107.9 million and an increase of $4.9 million on our lending balances to $42.3 million. A milestone of $150 million has been achieved.

We were pleased to have provided to our community a further $107,640 in grants, sponsorships and donations during the year bringing our total return to over $920,000. We are so proud to be involved in so many fantastic community initiatives during the year which we have outlined in our centre pages of this report.

We partnered with Sandringham Primary School to rebuild the school garden and furnish with new chairs and tables and Sandringham Secondary College for the development of a new IT application to assist existing students and those in remote locations. Funds were provided for L'Arche in Black Rock to assist purchasing a car to assist their residents. IPad's for Bayley House, Defibrillators for Hampton Community Centre and the local St John Ambulance group and State School Relief, which is an organisation, which provides uniforms to underprivileged children in our area.

We continue to support local Service Groups, Sandy Beach Centre, Fairway Aged Care Hostel and wide range of sporting groups.

The **Community Bank**® model provides some real opportunities for our community and I would welcome the opportunity to talk to you, your family and friends to see how we can assist you which in turn will provide increased benefits to our community. Importantly we offer a full range of competitive banking, financial planning and insurance products to meet your needs.

Our dedicated staff including Brooke Robinson, Julie Dunn, Kathryn Harvey, Siobhan Boyle and Sally Turner are very knowledgeable and provide exceptional customer service.

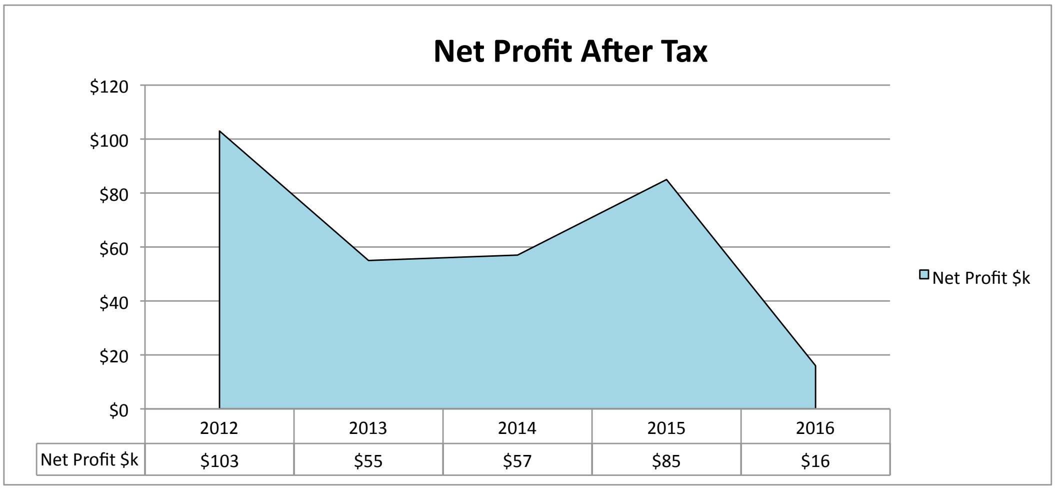
I wish to acknowledge my appreciation of the support by the staff at Bendigo and Adelaide Bank and in particular our Regional Manager, Michelle McDonald.

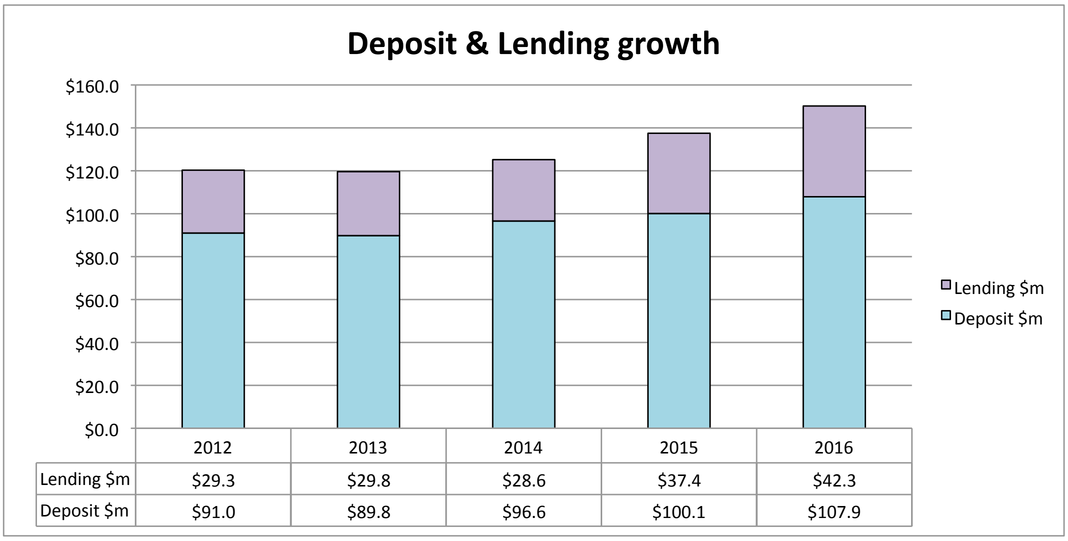
I would also like to thank the Board of Directors who have worked tirelessly during the year to assist in growing our business and provide the staff and I with leadership and assistance. The Board are integral to our success.

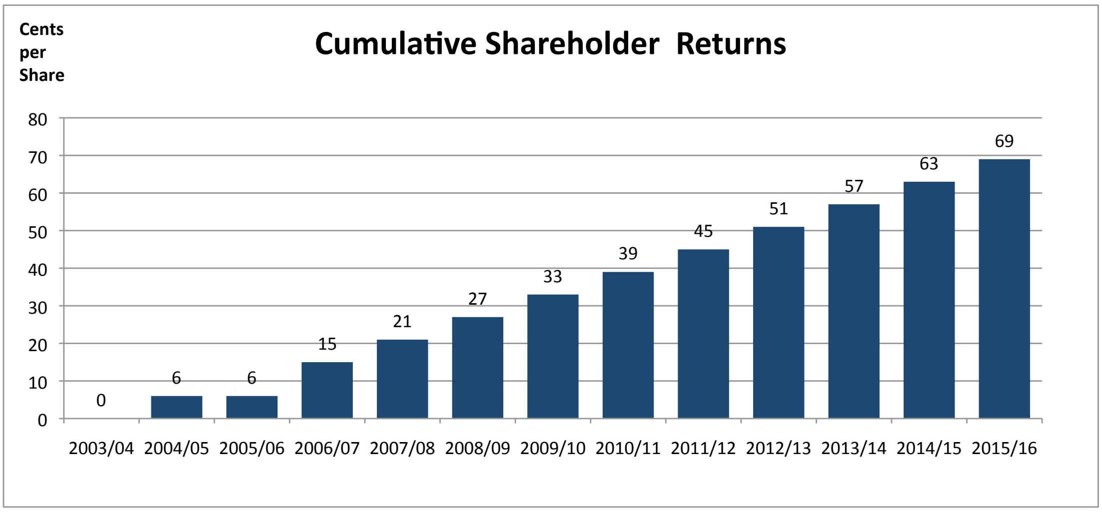
The local community has made this business the success that it is and we look forward to a strong future to strengthen the outcome from your investment in the community.

Matthew Gallop
Branch Manager

Performance graphs







Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Sandringham Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and Other Directorships
Graham Manson Ludecke Director since August 2009 Chairman	SF Fin, MAICD	Retired Senior Banker with 42 years experience in Retail, Business and International banking both in Australia and overseas. Non Executive Director of Bentleigh Bayside Community Health Inc. and Committee member of Australian Business in Europe. President of the Black Rock Sports Auxiliary Inc.
Michael John Davies Director since January 2008 Director	FAIM, AMAMI	Formally Group President and Director of ITW Australia, Asia Pacific and subsidiary companies. Director of Victoria Carpet Company Pty Ltd, Quest Pty Ltd, HGS Pty Ltd and Sutton Tools Pty Ltd.
Glen Hay Kruger Director since February 2011 Director	MBA	20 years experience at senior management level in the not-for-profit area, currently Executive Director of Aries Technology Australia Pty Ltd. Also currently a director of Caroline Chisholm Education Foundations
Ian Richard Siebert Director since June 2010 Director	B Ec, Dip Tert Ed, MBA, FAIM	10 years experience as a Manager and 30 years as a management consultant and Higher Education Leader, Facilitator and Coach.
Kate Jean Robb Director Resigned September 2015 Director	BBus (Accounting)	15 years accounting and corporate governance experience in both chartered accounting firms and industry. Held senior management and executive leadership team positions in a number of ASX listed companies.
Felicity Thomlinson Director since June 2014 Director	BSc, Dip Fin Serv	Over 14 years experience developing and growing new businesses and channels across a number of start-up and mature businesses primarily in financial services and health.

Directors (continued)

Name and position held	Qualifications	Experience and Other Directorships
Cindy Nora Jessica O'Donoghue Director since October 2015 Director, Company Secretary and Treasurer	BComm (Accounting), CPA	Over 15 years accounting and business experience in both Accounting Practise and the Financial Services Industry. In particular, the corporate banking sector in London and Dublin. Held positions in listed companies namely, Lloyds TSB, Mercer HR and Bank of Ireland.
Amanda May Smyth Director since February 2016 Director	BEconomics	15 years experience both in Australia (David Jones, Big W) and the UK (Austin Reed, Cath Kidston) in Retail Buying. Strong community focus through primary school Parents Associations and Kindergarten Committees.
Caitlin Elizabeth Eves Director since February 2016 Director	Bcomm (Mgt/Marketing)	Over 15 years experience in Marketing, communications and strategy in global and multinational companeis as well as direct consulting for small to medium businesses in financial and other sectors. Also currently Director of Strategy and customer service at FM Group Pty Ltd and president - Blackrock Pre-School.

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

No Directors have material interests in contracts or proposed contracts with the company.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Graham Manson Ludecke	12	11	3	3
Michael John Davies	12	11	N/A	N/A
Glen Hay Kruger	12	11	N/A	N/A
Ian Richard Siebert	12	9	N/A	N/A
Felicity Thomlinson	12	11	N/A	N/A
Kate Jean Robb	4	4	1	1
Cindy Nora Jessica O'Donoghue	8	7	2	2
Amanda May Smyth	6	5	N/A	N/A
Caitlin Elizabeth Eves	6	5	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

In addition to the Audit Committee, each Director also sits on a Board sub-committee, namely the Business Development Committee, Community Engagement Committee or the Remuneration Committee.

Directors’ report (continued)

Company Secretary

Cindy O’Donoghue has been the Company Secretary of Sandringham Community Financial Services Limited since 1 August 2015.

Cindy O’Donoghue’s qualifications and experience includes a Bachelor of Commerce (Accounting) degree and she is also a qualified Certified Practising Accountant (CPA) of Australia since 2001. Cindy has over 15 years experience in both accounting practise and the Financial Services sector in London and Dublin. She has held positions in listed companies, namely Lloyds TSB, Mercer HR and Bank of Ireland.

Cindy became a Director of the company on 1 October 2015 and was paid $11,800 plus superannuation guarantee in regard to her role as the company’s accountant and Company Secretary.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $15,798 (2015 profit: $85,111). The decrease compared with the previous year is as a result of a significant increase in Charitable Donations & Sponsorships provided totalling $104,985 (2015 sponsorships: $20,644).

Dividends

A fully franked final dividend of 6 cents per share ($36,601) was declared and paid during the year for the year ended 30 June 2015.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company’s state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

In line with Bendigo and Adelaide Bank Limited, effective from the 1 July 2016 the new Transfer Pricing system will amend the current transfer pricing arrangement. There is not expected to be a material effect on the financial performance or financial position of the business. There have been no other events after the end of the financial year that would materially affect the financial statements.

Likely developments

The company will continue its policy of providing banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Remuneration report

<u>Remuneration policy</u>

The remuneration policy of Sandringham Community Financial Services Limited has been designed to allign key management personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective. The following criteria is applied to determine the remuneration of the Directors:

(a) The Board policy for determining the nature and amount of remuneration is as follows:

   i. Attends a minimum of 6 face-to-face Board meetings;

   ii. Attends the Annual General Meeting and one other **Community Bank** activity; and

(b) The prescribed details in relation to the remuneration of:

   i. Each Director of the company receives $1,800, and

   ii. Each committee chair receives an additional $600

   iii. The Chair of the Board receives an additional $1,200

The Board reviews its performance on an annual basis.

Remuneration report (continued)

Remuneration benefits and payments

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 Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Board of Sandringham Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. Accordingly Directors did not receive any benefit in regard to this package.

Directors Fees

	2016 $
Graham Manson Ludecke	3,000
Michael John Davies	2,400
Glen Hay Kruger	1,800
Ian Richard Siebert	1,800
Felicity Thomlinson	2,400
Cindy Nora Jessica O'Donoghue (Appointed 1 October 2015)	1,350
Amanda May Smyth (Appointed 1 February 2016)	750
Caitlin Elizabeth Eves (Appointed 1 February 2016)	750
Kate Jean Robb (Resigned 30 September 2015)	600
	14,850

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2015	Net change in holdings	Balance at 30 June 2016
Directors			
Graham Manson Ludecke	6,500	-	6,500
Michael John Davies	1,000	-	1,000
Glen Hay Kruger	-	-	-
Ian Richard Siebert	-	-	-
Felicity Thomlinson	-	-	-
Cindy Nora Jessica O'Donoghue	-	-	-
Amanda May Smyth	-	-	-
Caitlin Elizabeth Eves	-	-	-

Directors' report (continued)

Remuneration report (continued)

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Sandringham on 19 September 2016.

Graham Ludecke
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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PO Box 30, Bendigo VICTORIA 3552

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Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Sandringham Community Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 19 September 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	838,006	800,225
Expenses			
Employee benefits expense	3	(427,246)	(369,008)
Depreciation and amortisation	3	(34,183)	(34,070)
Marketing expenses		(23,370)	(28,274)
IT costs		(43,628)	(47,287)
Bad and doubtful debts expense	3	(220)	(252)
Rental expense		(51,349)	(50,634)
Rates (town/water/land tax)		(16,825)	(15,072)
Insurance expenses		(13,130)	(13,354)
Auditors remuneration	3	(9,656)	(9,368)
Other expenses		(90,841)	(88,634)
Operating profit before charitable donations and sponsorships		**127,558**	**144,272**
Charitable donations and sponsorships		(104,985)	(20,644)
Profit before income tax		**22,573**	**123,628**
Income tax expense	4	6,775	38,517
Profit for the year		**15,798**	**85,111**
Other comprehensive income		-	-
Total comprehensive income for the year		**15,798**	**85,111**
Profit attributable to members of the company		15,798	85,111
Total comprehensive income attributable to members of the company		**15,798**	**85,111**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	15	2.59	13.95

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	675,819	686,388
Trade and other receivables	6	88,399	81,958
Investments and Other financial assets	7	32,408	31,919
Current tax asset (liability)	4	451	(25,123)
Total current assets		**797,077**	**775,142**
Non-current assets			
Plant and equipment	8	64,595	83,057
Intangible assets	9	13,461	24,998
Deferred tax assets	4	22,873	17,581
Total non-current assets		**100,929**	**125,636**
Total assets		**898,006**	**900,778**
Liabilities			
Current liabilities			
Trade and other payables	10	35,726	44,423
Provisions	11	83,758	57,029
Total current liabilities		**119,484**	**101,452**
Total liabilities		**119,484**	**101,452**
Net assets		**778,523**	**799,326**
Equity			
Issued capital	12	518,507	518,507
Retained earnings	13	260,016	280,819
Total equity		**778,523**	**799,326**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		518,507	232,309	750,816
Profit for the year		-	85,111	85,111
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**85,111**	**85,111**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(36,601)	(36,601)
Balance at 30 June 2015		**518,507**	**280,819**	**799,326**
Balance at 1 July 2015		518,507	280,819	799,326
Profit for the year		-	15,798	15,798
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**15,798**	**15,798**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(36,601)	(36,601)
Balance at 30 June 2016		**518,507**	**260,016**	**778,523**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		814,780	855,206
Payments to suppliers and employees		(763,219)	(700,813)
Dividends received		489	454
Interest received		16,296	17,230
Income tax paid		(37,641)	(9,350)
Net cash provided by operating activities	**14b**	**30,705**	**162,727**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,184)	(425)
Purchase of investments and other financial assets		(489)	(454)
Net cash flows used in investing activities		**(4,673)**	**(879)**
Cash flows from financing activities			
Dividends paid		(36,601)	(36,601)
Net cash used in financing activities		**(36,601)**	**(36,601)**
Net decrease in cash held		**(10,569)**	**125,247**
Cash and cash equivalents at beginning of financial year		686,388	561,141
Cash and cash equivalents at end of financial year	**14a**	**675,819**	**686,388**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Sandringham Community Financial Services Limited.

Sandringham Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 19 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Sandringham, Victoria.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Plant and equipment

Each class of plant and equipment is carried at cost, less, where applicable, any accumulated depreciation and impairment losses.

Note 1. Summary of significant accounting policies (continued)

(d) Plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Plant and equipment	5% - 33%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

<u>Short-term employee benefits</u>

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

<u>Other long-term employee benefits</u>

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Community engagements

Proud to Support our local community.

Sandringham Community Bank® Branch has contributed more than $920,000 to local community groups and organisations over the past 12 years. Some of the clubs, organisations and community groups that we have supported over the past year include:

Community groups/organisations.

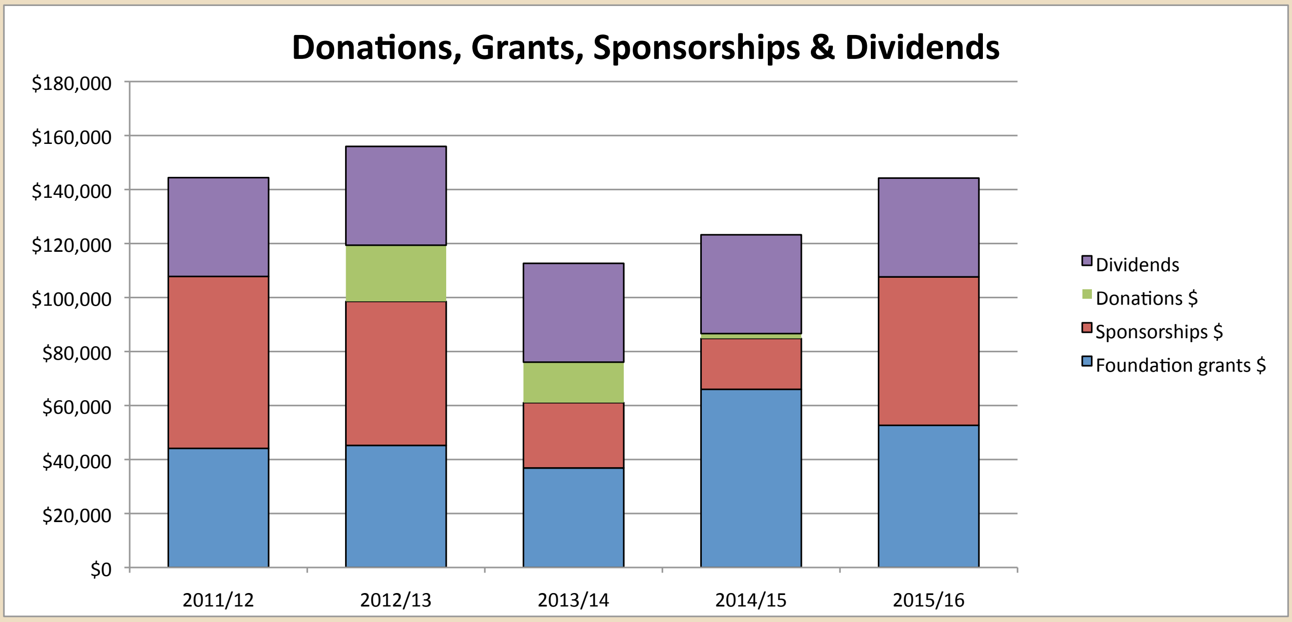
- Hampton Community Centre
- St John Ambulance Bayside
- Bayley House
- Building Hope
- Sandybeach Centre
- Sandringham Hospital
- State Schools Relief Bayside
- Lions Club of Sandringham
- Country Women's Association Bayside
- L'Arche
- Sandringham Aged Care Association (Fairway)

Community initiatives/events

- Bayside Relay for Life
- Sandringham Traders Association (Sandringham Fair)
- Battle of the Boots (St Mary's Primary & Hampton Primary School)

Schools and kindergartens.

- Sandringham Primary School
- Sandringham Secondary College



Sporting groups.

- Hampton RSL Bowling Club
- Sandringham Dragons
- East Sandringham Junior Football Club
- Hampton Cricket Club
- Hampton Junior Soccer Club
- Hampton Rovers
- Sandringham Bowls Club
- Sandringham Croquet Club
- Sandringham Football Club
- Sandringham Little Athletics Club
- South East Cricket Umpires Association

Note 1. Summary of significant accounting policies (continued)

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(p) Comparative figures

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

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(r) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(s) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	771,221	732,541
- market development fund	50,000	50,000
	821,221	**782,541**
Other revenue		
- interest received	16,296	17,230
- dividends	489	454
	16,785	**17,684**
Total revenue	**838,006**	**800,225**
Note 3. Expenses		
Profit before income tax inculdes the following specific expenses:		
Employee benefits expense		
- wages and salaries	(331,839)	(299,126)
- superannuation costs	(32,989)	(30,420)
- other costs	(62,418)	(39,462)
	(427,246)	**(369,008)**
Depreciation and amortisation		
Depreciation		
- plant and equipment	(22,646)	(22,533)
	(22,646)	**(22,533)**
Amortisation		
- franchise fees	(11,537)	(11,537)
Total depreciation and amortisation	**(34,183)**	**(34,070)**
Bad and doubtful debts expenses	(220)	(252)
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	(4,875)	(4,430)
- Taxation services	(1,050)	(1,922)
- Share registry services	(3,731)	(3,016)
	(9,656)	**(9,368)**

	2016 $	2015 $
Note 4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	13,496	37,088
Deferred tax expense relating to the origination and reversal of temporary differences	(5,292)	1,429
Under / (over) provision of prior years	(1,429)	-
	6,775	**38,517**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities		
before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	6,433	37,088
Add tax effect of:		
- Franking credits gross up	60	-
- Under / (over)provision of prior years	(1,429)	-
- Movement in deferred tax asset		1,429
- Change in company tax rate	1,711	-
Income tax attributable to the entity	**6,775**	**38,517**
The applicable weighted average effective tax rate is	30.01%	31.16%
c. Current tax asset		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	25,123	(2,615)
Income tax paid	(37,641)	(9,350)
Current tax	13,496	37,088
Under / (over) provision prior years	(1,429)	-
	(451)	**25,123**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accrued income	(160)	(194)
Employee provisions	23,033	17,109
Other	-	666
Net deferred tax asset	**22,873**	**17,581**

	2016 $	2015 $
Note 4. Income tax (continued)		
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(5,258)	1,429
(Decrease) / increase in deferred tax liabilities	(34)	-
Under / (over) provision prior years	-	-
	(5,292)	**1,429**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	70,909	56,793
Short-term bank deposits	604,910	629,595
	675,819	**686,388**

The effective interest rate on the short-term bank deposit was 2.35% (2015: 2.7%); this deposit has an average maturity of 60 days.

Note 6. Trade and other receivables

	2016 $	2015 $
Current		
Trade receivables	68,354	67,253
Other receivables	20,045	14,705
	88,399	**81,958**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	68,354	-	-	-	-	68,354
Other receivables	20,045	-	-	-	-	20,045
Total	**88,399**	**-**	**-**	**-**	**-**	**88,399**
2015						
Trade receivables	67,253	-	-	-	-	67,253
Other receivables	14,705	-	-	-	-	14,705
Total	**81,958**	**-**	**-**	**-**	**-**	**81,958**

	2016 $	2015 $
Note 7. Investments and Other financial assets		
Held to maturity financial assets		
Australian term deposits > 3 months	24,668	24,668
Available for sale financial assets		
Listed investments	7,740	7,251
	32,408	**31,919**

Note 8. Plant and equipment

	2016 $	2015 $
Plant and equipment		
At cost	204,372	200,188
Less accumulated depreciation	(139,777)	(117,131)
Total property, plant and equipment	**64,595**	**83,057**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	83,057	105,165
Additions	4,184	425
Depreciation expense	(22,646)	(22,533)
Balance at the end of the reporting period	**64,595**	**83,057**

	2016 $	2015 $

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	57,686	57,686
Less accumulated amortisation	(44,225)	(32,688)
Total intangible assets	**13,461**	**24,998**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	24,998	36,535
Amortisation expense	(11,537)	(11,537)
Balance at the end of the reporting period	**13,461**	**24,998**

Note 10. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	27,688	29,694
GST Payable	8,038	14,729
	35,726	**44,423**

The average credit period on trade and other payables is one month.

Note 11. Provisions

	2016 $	2015 $
Current		
Employee benefits	83,758	57,029
Total provisions	**83,758**	**57,029**

Note 12. Share capital

	2016 $	2015 $
610,008 Ordinary shares fully paid of 85 cents each	518,507	518,507
Less: Equity raising costs	-	-
	518,507	**518,507**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	518,507	518,507
Shares issued during the year	-	-
At the end of the reporting period	**518,507**	**518,507**

Note 12. Share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 company 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 13. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	280,819	232,309
Profit/(loss) after income tax	15,798	85,111
Dividends paid	(36,601)	(36,601)
Balance at the end of the reporting period	**260,016**	**280,819**

Note 14. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	675,819	686,388
As per the Statement of Cash Flow	**675,819**	**686,388**

	2016 $	2015 $

Note 14. Statement of cash flows (continued)

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit / (loss) after income tax	15,798	85,111
Non-cash flows in profit		
- Depreciation	22,646	22,533
- Amortisation	11,537	11,537
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(6,441)	2,113
- (Increase) / decrease in deferred tax asset	(5,292)	(1,429)
- Increase / (decrease) in trade and other payables	(8,698)	9,059
- Increase / (decrease) in current tax liability	(25,574)	30,596
- Increase / (decrease) in provisions	26,729	3,207
Net cash flows from / (used in) operating activities	**30,705**	**162,727**

Note 15. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	2.59	13.95
Earnings used in calculating basic earnings per share	15,798	85,111
Weighted average number of ordinary shares used in calculating basic earnings per share.	610,008	610,008

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2016 $	2015 $
Short-term employee benefits	14,850	13,400
Total key management personnel compensation	**14,850**	**13,400**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Note 16. Key management personnel and related party disclosures (continued)

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

The Board of Sandringham Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. Acordingly Directors did not receive any benefit in regard to this package.

	2016	2015
Graham Manson Ludecke	3,000	3,000
Michael John Davies	2,400	2,400
Glen Hay Kruger	1,800	2,350
Ian Richard Siebert	1,800	1,800
Felicity Thomlinson	2,400	1,850
Cindy Nora Jessica O'Donoghue (Appointed 1 October 2015)	1,350	-
Amanda May Smyth (Appointed 1 February 2016)	750	-
Caitlin Elizabeth Eves (Appointed 1 February 2016)	750	-
Kate Jean Robb (Resigned 30 September 2015)	600	2,000
		-
	14,850	**13,400**

(d) Key management personnel shareholdings

The number of ordinary shares in Sandringham Community Financial Services Limited held directly by each key management personnel of the company during the financial year is as follows:

	2016	2015
Graham Manson Ludecke	6,500	6,500
Michael John Davies	1,000	1,000
Glen Hay Kruger	-	-
Ian Richard Siebert	-	-
Felicity Thomlinson	-	-
Cindy Nora Jessica O'Donoghue (Appointed 1 October 2015)	-	-
Amanda May Smyth (Appointed 1 February 2016)	-	-
Caitlin Elizabeth Eves (Appointed 1 February 2016)	-	-
Kate Jean Robb (Resigned 30 September 2015)	-	-
	7,500	**7,500**

Note 16. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of 85 cents and is fully paid.

(e) Other key management transactions

Ian Siebert holds indirectly 1,000 shares into his family superannuation fund, “Davies Siebert Superannuation Fund”.

Note 17. Events after the reporting period

In line with Bendigo and Adelaide Bank Limited, effective from the 1 July 2016 the new Transfer Pricing system will amend the current transfer pricing arrangement. There is not expected to be a material effect on the financial performance or financial position of the business. 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 contingent assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Sandringham, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

Note 20. Commitments

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	55,697	55,697
- between 12 months and five years	-	-
- greater than five years	-	-
Minimum lease payments	**55,697**	**55,697**

The property lease is a non-cancellable lease with a five year term, with rent payable quarterly in advance and with CPI increases each year.

Note 21. Company details

The registered office and principle place of business is: 75 Station Street, Sandringham, VIC, 3191.

Note 22. Dividends paid or provided for on ordinary shares

	2016 $	2015 $
Dividends paid or provided for during the year		
A final fully franked ordinary dividend of 6 cents per share (2015:6 cents) franked at the tax rate of 28.5% (2015: 30%).	36,601	36,601

Note 23. Financial risk management

Financial risk management policies

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.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	675,819	686,388
Trade and other receivables	6	88,399	81,958
Investments and other financial assets	7	32,408	31,919
Total financial assets		**796,626**	**800,265**
Financial liabilities			
Trade and other payables	10	35,726	44,423
Total financial liabilities		**35,726**	**44,423**

Note 23. Financial risk management (continued)

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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 Limited and therefore credit risk is considered minimal.

(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 table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	5	675,819	675,819	-	-
Trade and other receivables	6	88,399	88,399	-	-
Investments and other financial assets	7	32,408	32,408	-	-
Total anticipated inflows		**796,626**	**796,626**	**-**	**-**
Financial liabilities					
Trade and other payables	10	35,726	35,726	-	-
Total expected outflows		**35,726**	**35,726**	**-**	**-**
Net inflow on financial instruments		**760,900**	**760,900**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	5	686,388	686,388	-	-
Trade and other receivables	6	81,958	81,958	-	-
Investments and other financial assets	7	31,919	31,919	-	-
Total anticipated inflows		**800,265**	**800,265**	**-**	**-**
Financial liabilities					
Trade and other payables	10	44,423	44,423	-	-
Total expected outflows		**44,423**	**44,423**	**-**	**-**
Net inflow on financial instruments		**755,842**	**755,842**	**-**	**-**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, and cash and cash equivalents.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	7,082	7,082
+/- 1% in interest rates (interest expense)	-	-
	7,082	**7,082**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	7,183	7,183
+/- 1% in interest rates (interest expense)	-	-
	7,183	**7,183**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	Note	2016		2015	
		Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets					
Cash and cash equivalents (i)	5	675,819	675,819	686,388	686,388
Trade and other receivables (i)	6	88,399	88,399	81,958	81,958
Investments and other financial assets	7	32,408	32,408	31,919	31,919
Total financial assets		**796,626**	**796,626**	**800,265**	**800,265**
Financial liabilities					
Trade and other payables (i)	10	35,726	35,726	44,423	44,423
Total financial liabilities		**35,726**	**35,726**	**44,423**	**44,423**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 13 to 43 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This resolution is made in accordance with a resolution of the Board of Directors.

Graham Ludecke
Director

Signed at Sandringham on 19 September 2016.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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INDEPENDENT AUDITOR'S OPINION

To the directors of Sandringham Community Financial Services Limited

Report on the Annual Financial Report

We have audited the accompanying financial report of Sandringham Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Partners: Philip Delahunty
Kathie Teasdale Cara Hall
David Richmond Brett Andrews

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a) the financial report of Sandringham Community Financial Services Limited is 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 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 7 of the director's report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.300A of the Corporations Act 2001. Our responsibility is based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

in our opinion the remuneration report for Sandringham Community Financial Services Limited for the year ended 30 June 2016 complies with s.300A of the *Corporations Act 2001*.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner

Dated: 19 September 2016

NSX report

Sandringham Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	197	137,803
1,001 to 5,000	79	218,205
5,001 to 10,000	7	59,500
10,001 to 100,000	8	194,500
100,001 and over	0	0
Total shareholders	**291**	**610,008**

Equity securities

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) except for Scipio Nominees. 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 8 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 $0.85 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Scipio Nominees Pty Ltd	57,000	9.34%
Winpar Holdings Ltd	26,000	4.26%
Thomas Leigh Pty Ltd as trustee for <The Waring Family Superannuation Fund A/C>	20,500	3.36%
Fleray Pty Ltd 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%
Northern Suburbs Secretarial Services Pty Ltd <as trustee for Juleton A/C>	18,500	3.03%
Perpetual Trustee Company Ltd - Syd	12,500	2.05%
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%
Total of securities	**214,500**	**35.16%**

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:

Richard Sinnott & Delahunty Pty Ltd
Level 2, 10-16 Forest Street,
Bendigo VIC 3550
Phone: (03) 5445 4200

Company Secretary

Cindy O'Donoghue has been the Company Secretary of Sandringham Community Financial Services Limited since 1 August 2015.

Corporate governance

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

(a) The establishment of an Audit committee. Members of the Audit Committee are Graham Ludecke, Cindy O'Donoghue, Matthew Gallop and Kate Robb.

(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 3

There are no material differences between the information in the company's Annexure 3 and the

information in the financial documents in its Annual Report.

Five year summary of performance

		2012	2013	2014	2015	2016
Gross revenue	$	$964,585	$815,870	$736,764	$800,225	$838,008
Net profit before tax	$	$150,465	$77,938	$59,949	$123,628	$22,573
Total assets	$	$799,563	$843,313	$834,529	$925,901	$898,006
Total liabilities	$	$88,135	$112,990	$83,713	$126,575	$119,484
Total equity	$	$711,428	$730,323	$750,816	$799,326	$778,523
Earnings per share		16.87 cents	9.1 cents	9.36 cents	13.95 cents	2.59 cents

Sandringham **Community Bank**® Branch
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Franchisee: Sandringham Community Financial Services Limited
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