



annual report **2012**

Sandringham Community
Financial Services Limited

ABN 86 099 131 192

Contents

Chairman's report	2
Manager's report	5
Performance graphs	6
Bendigo and Adelaide Bank report	7
Directors' report	9
Auditor's independence declaration	13
Financial statements	14
Notes to the financial statements	18
Directors' declaration	35
Independent audit report	36
NSX report	38

Chairman's report

For year ending 30 June 2012

Good growth has been achieved over the past financial year. This growth combined with a close watch on expenses, has allowed us to report a before tax profit of \$150,465 against a figure of \$143,822 for the previous year.

Lending growth exceeded our annual target and after allowing for the transfer of a substantial deposit to another **Community Bank®** branch we achieved our target growth in deposits.

Total revenue from our operations increased by 3.1% to \$964,585.

Our total equity is \$711,428 (2011: \$645,098) in assets of \$799,563 (2011: \$737,214).

With challenging trading conditions and continued pressure on our margins we expect to see the growth in our business and profit moderate for the year to 30 June 2013.

A fully franked dividend payment of 6 cents per share 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 made to shareholders:

Calendar year	2005	2007	2008	2009	2010	2011	2012	Total
Return of capital	6 cents	9 cents						
Dividend			6 cents	6 cents	6 cents	6 cents	6 cents	
Total distribution	\$36,600	\$54,900	\$36,600	\$36,600	\$36,600	\$36,600	\$36,600	\$274,500

Our community

The profit before tax of \$150,465 was achieved after a payment of \$120,000 to the Bendigo and Adelaide Bank Community Enterprise Foundation™. Funds held on our account with the Foundation are available for future grants to our community. The current balance of funds held on our behalf is \$302,027.

Previous payments from the Foundation are shown in the table below under "Foundation Grants" .

The following chart gives a summary of the payments made to the community.

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
2011/12	44,120	63,683		107,803
Total grants, sponsorships and donations paid to the community since establishment				538,955

Chairman's report (continued)

Beneficiaries of our Grants and Sponsorships Program for the year were:

Bayley House	Sandringham Bowls Club
Black Rock Bowling & Tennis Club	Sandringham Croquet Club
East Sandringham Junior Football Club	Sandringham & District Historical Society
Hampton Cricket Club	Sandringham Football Club
Hampton Lifesaving Club	Sandringham Hospital
Hampton Rovers Amateur Football Club	Sandringham Lifesaving Club
Minties Junior Netball	Sandringham Village Fair
Moorabbin Umpires Association	SandyBeach Centre
Nagle Preschool Association Inc	Southern Basketball Association
Sandringham Aged Care Association (Fairways)	Wilson Street Kindergarten

We are planning to host a number of functions for our community partners, shareholders and customers to thank them for their support and to report to them on how we are expanding our community business for our mutual benefit. We will also use these functions to introduce new connections to the **Community Bank®** branch.

Business strategy

A Strategic and Business planning forum was held recently to refresh our existing plans and develop new strategies to implement over the next few years. A new vision, developed by the staff and Board, has been adopted;

Local people, Local bank.

Building a stronger community together.

Our objectives include growing and retaining 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 evaluate the opportunities in Hampton and have strategies planned to build on the existing business we have developed in that area.

Board, Staff and Bendigo and Adelaide Bank

Glen Barnes resigned from the Board on 23 April 2011. We thank Glen for the service she gave and the dedication to her role as a Director and Chair of the Marketing and Community Engagement Committee for the betterment of the **Community Bank®** branch.

The Board is continually reviewing succession planning and the resources required to effectively carry out our community expansion activities and corporate governance obligations.

Thanks to the Board members for their commitment to the work load during the year. Their dedication to the demands on our Directors, not only with attendance at Board and Committee meetings but attendance at many community activities, is much appreciated.

Our Manager, Matthew Gallop continues to lead a top rating, competent and friendly staff. Their knowledge of all banking products and willingness to assist our customers is highly regarded in the community and very much appreciated by the Board.

The support received from the Bendigo and Adelaide Bank and in particular the Regional Office, led by Sophia Cole, has been appreciated and we thank them for their ready assistance and guidance.

Chairman's report (continued)

Shareholders

We welcome the ongoing support of our shareholders and through your original investment in the business you have assisted in developing our banking business which in turn has enabled us to contribute a substantial amount of money to our local community.

A handwritten signature in black ink, appearing to read 'G M Ludecke', with a large, stylized initial 'G'.

Graham M Ludecke
Chairman

Manager's report

For year ending 30 June 2012

As the Sandringham **Community Bank**[®] Branch enters its 10th year, we continue to grow at a pleasing rate under relatively difficult market conditions. While lending growth exceeded targets, unfortunately we did not meet our deposit target. This was owing to the transfer of a deposit in excess of \$5 million to another **Community Bank**[®] branch. We achieved a sound net growth of 5.7% for the year, taking our total balances under management to \$120.3 million.

Revenue of \$964,585 exceeded budget by \$34,318 and while expenses exceeded budget by \$23,524, as noted in the Chairman's report, this was after a substantial unbudgeted contribution of \$120,000 was made to the Community Enterprise Foundation™, to be utilised for future grants.

We are extremely pleased to advise that we have returned almost \$540,000 to our community through grants, sponsorships and donations. Recipient groups continue to work with us to ensure that we receive maximum exposure to their members and the local community. Attendance at local clubs, groups and organisations is an extremely important part of the **Community Bank**[®] branch's role. With an ever increasing number of local groups to support, I have been provided with great support from the Board of Directors in this area. We have clearly identified that building relationships with the members of these organisations is the key to our future growth.

While our core client base resides primarily in the Sandringham locale, we are expanding our efforts to grow our business in surrounding areas, with Hampton being a priority. Through sponsorship of a number of key groups we are forging stronger local relationships. We continue to consider opportunities to increase our relevance in the Hampton community.

I would like to thank the regional support staff from the Bendigo and Adelaide Bank, in particular our Regional Manager Sophia Cole. Her support and guidance is greatly appreciated.

I wish to express my appreciation to the Board of Directors for their continued strong support whose contribution to the success of this business can never be understated.

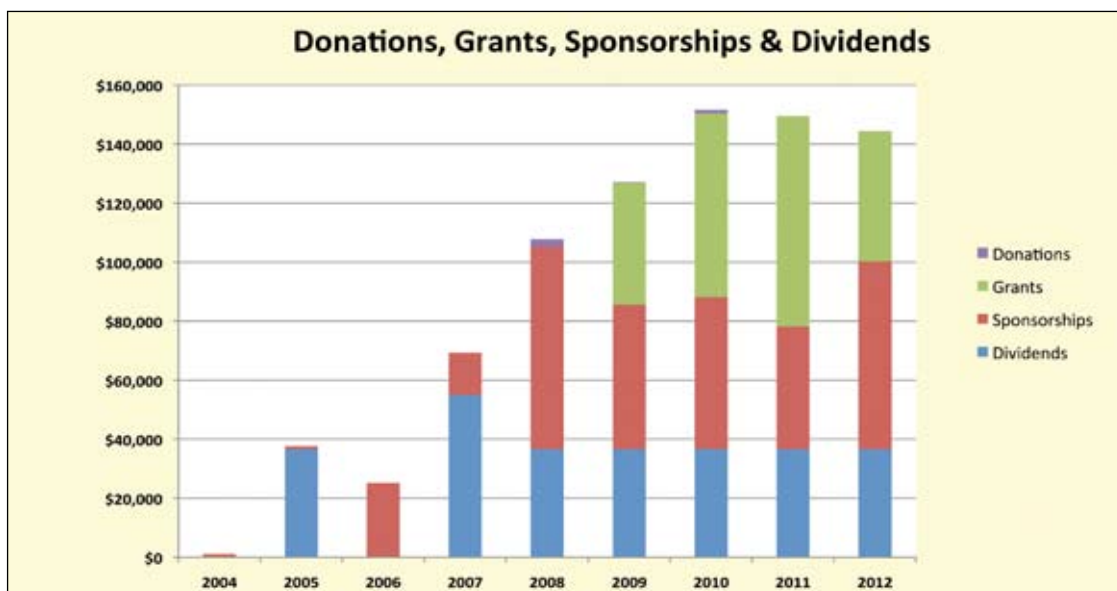
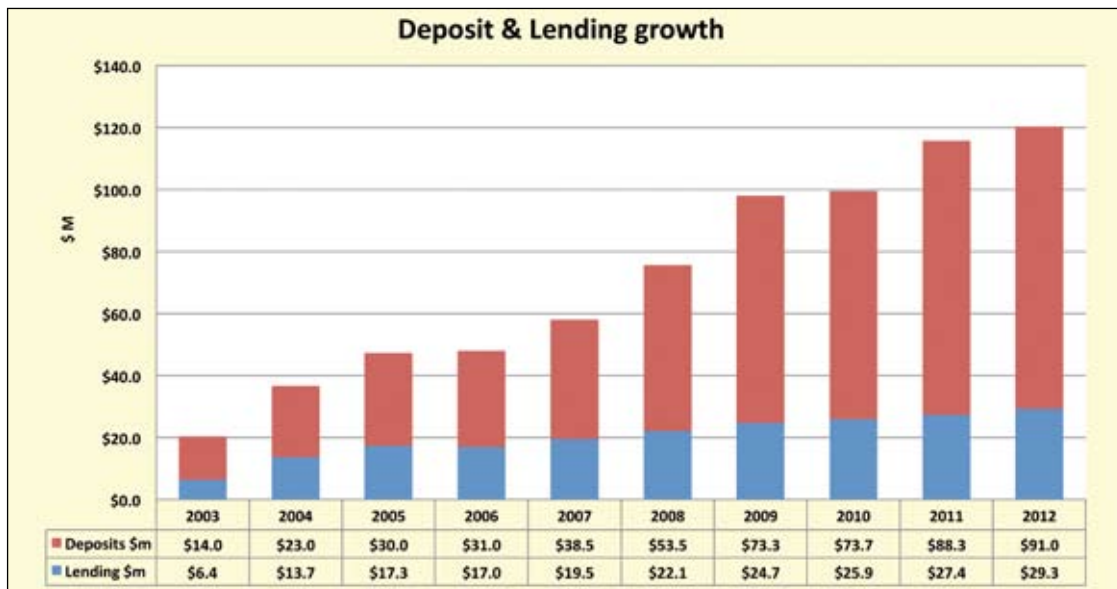
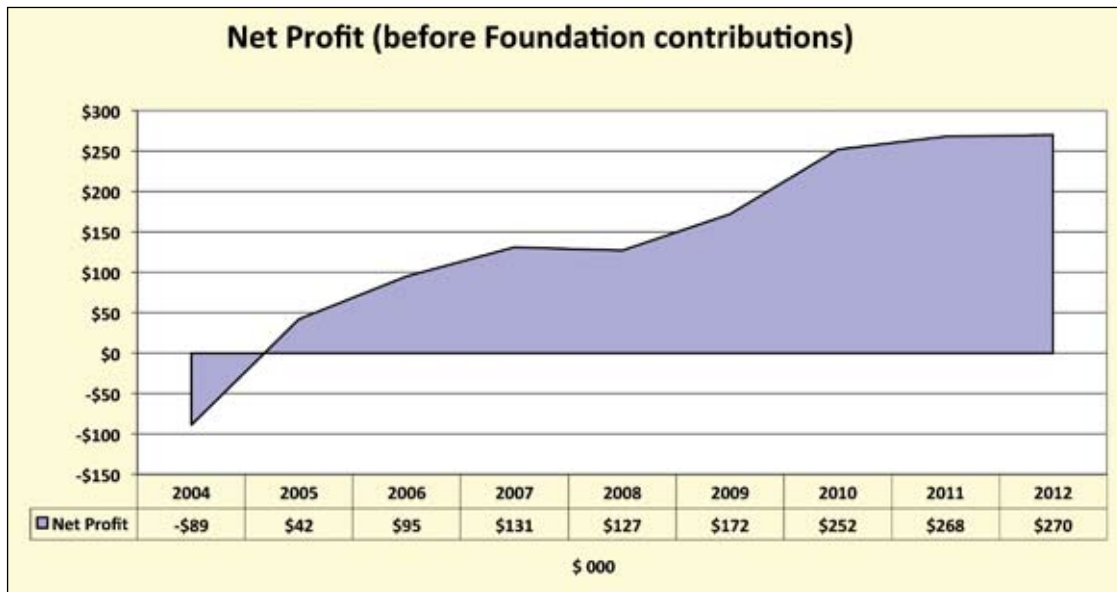
Our dedicated staff Jane Turner, Brooke Robinson, Julie Dunn, Siobhan Boyle and Kathryn Harvey are extremely capable and knowledgeable and provide exceptional customer service. We have seen no staff changes over the year and I would like to thank them for their commitment in creating a sound banking environment.

The branch continues to obtain pleasing results in difficult conditions and with our range of products and superior service we are very confident of our ability to continue with moderate results in the year ahead.



Matthew Gallop
Branch Manager

Performance graphs



Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – \$80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with \$470,000 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.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

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 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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

Retired Banker

Board member since August 2009

Glenyss Airdrie Barnes

Director

Management Consultant

Resigned April 2012

Michael John Davies

Director & Treasurer

Company Director

Board member since January 2008

Ian Richard Siebert

Director

Management Consultant

Board member since June 2010

Glen Hay Kruger

Director

Business Consultant

Board member since February 2011

Kim Visek-Johnson

Director

Finance Superannuation Consultant

Resigned August 2011

Helen Diana Searle

Director

Company Director

Board member since February 2011

Campbell John Sinclair

Director

Company Director

Board member since May 2007

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.

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

Operating results

The profit of the company for the financial year after provision for income tax was \$102,931 (2011: \$119,708).

Financial position

The net assets of the company have increased by \$66,330 from \$645,098 at June 30 2011 to \$711,428 at 30 June 2012.

Directors' report (continued)

Dividends	Year ended 30 June 2012	
	Cents per share	\$
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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

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.

Remuneration report

During the year a payment of \$5,930 was made to Campbell Sinclair (Director) for consultancy services relating to recovery of costs in regard to the train incident. Other than this payment and Directors fees 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 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.

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.

Directors' report (continued)

Indemnifying Officers or Auditor (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.

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 2012 \$	Fees 2011 \$
Graham Manson Ludecke	12(12)	6(6)	3,000	3,000
Glenyss Airdrie Barnes (resigned 23 April 2012)	10(10)	N/A	2,000	2,400
Michael John Davies	11(12)	6(6)	2,400	2,400
Glen Hay Kruger	11(12)	N/A	2,400	600
Helen Diana Searle	9(12)	N/A	1,900	600
Ian Richard Siebert	10(12)	N/A	1,800	2,400
Campbell John Sinclair	11(12)	N/A	2,300	1,800
Kim Visek-Johnson (resigned 8 August 2011)	0(1)	N/A	200	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

Kate Robb was appointed as Company Secretary on 1 May 2012. Kate holds a Bachelor of Business (Accounting) and also became a member of the Institute of Chartered Accountants of Australia in 1996 while working at PricewaterhouseCoopers. Kate has 15 years accounting and corporate governance experience having held senior management and leadership positions at a number of ASX listed companies.

Corporate governance

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

- (a) An Audit Committee. Members of the audit committee are Michael Davies (Chair), Renate Lange, Graham Ludecke, 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.

Directors' report (continued)

Non audit services

The 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 5 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 integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on 20 September 2012.



Graham Manson Ludecke
Chairman

Auditor's independence declaration



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsd advisors.com.au
www.rsd advisors.com.au

20th September 2012

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

To the Directors of Sandringham Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Phil Delahunty
Partner

Dated at Bendigo, 20th September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue from continuing operations	2	964,585	935,223
Employee expenses	3	(332,605)	(311,797)
Depreciation and amortisation expense	3	(33,537)	(29,397)
Other expenses		(264,195)	(283,580)
Operating profit before charitable donations & sponsorships		334,248	310,449
Charitable donations and sponsorship		(183,783)	(166,627)
Profit before income tax expense		150,465	143,822
Income tax (expense) / benefit	4	(47,534)	(24,114)
Net profit for the year		102,931	119,708
Other comprehensive income		-	-
Total comprehensive income for the year		102,931	119,708
Earnings per share (cents per share)			
- basic for profit for the year	21	16.87	19.62
- diluted for profit for the year	21	16.87	19.62

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	537,351	444,701
Receivables	7	104,614	107,217
Total current assets		641,965	551,918
Non-current assets			
Property, plant and equipment	8	149,903	167,940
Investments	9	6,028	5,689
Intangible assets	10	1,667	11,667
Total non-current assets		157,598	185,296
Total assets		799,563	737,214
Liabilities			
Current liabilities			
Payables	11	37,107	46,368
Current tax liability	4	4,717	8,329
Provisions	12	46,311	37,419
Total current liabilities		88,135	92,116
Total liabilities		88,135	92,116
Net assets		711,428	645,098
Equity			
Issued capital	13	518,507	518,507
Retained earnings	14	192,921	126,591
Total equity		711,428	645,098

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,032,902	1,002,062
Cash payments in the course of operations		(885,231)	(835,121)
Interest received		27,641	21,122
Dividend received		339	316
Income tax paid		(40,561)	(24,678)
Net cash flows from/(used in) operating activities	15b	135,090	163,701
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,500)	(163,959)
Purchase of investment		(339)	(316)
Net cash flows from/(used in) investing activities		(5,839)	(164,275)
Cash flows from financing activities			
Dividends paid		(36,601)	(36,601)
Net cash flows from/(used in) financing activities		(36,601)	(36,601)
Net increase/(decrease) in cash held		92,650	(37,175)
Cash and cash equivalents at start of year		444,701	481,876
Cash and cash equivalents at end of year	15a	537,351	444,701

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Issued 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			
Opening balance as at 1 July		184,143	43,484
Restatement of prior year tax balances	23	(57,552)	-
Restated opening balance		126,591	43,484
Profit after income tax expense		102,931	119,708
Dividends paid	22	(36,601)	(36,601)
Balance at end of year		192,921	126,591

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Sandringham Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. 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 have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 20 September 2012.

(b) 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.

(c) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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.

Grants, sponsorships and donations making a difference in your community



◀ Sandringham **Community Bank**[®] Branch continues to be the major sponsor of the Sandringham Village Fair and Farmers Market. In its fourth consecutive year, sponsorship from the bank has enabled this event to continue to grow. The event brings together traders, community groups and sporting clubs, showcasing all that Sandringham has to offer.

▶ In their first year as a sponsorship recipient, Wilson Street Kindergarten created an improved acoustic environment which benefits all children at the kinder. As a feeder kindergarten to Brighton Primary (which has facilities to teach the hearing impaired in a mainstream teaching setting), Wilson Street Kinder is proud to be able to provide a more beneficial learning environment to all children in the bayside area including those with hearing impairment.



◀ Sandringham **Community Bank**[®] Branch has strengthened its relationship this year with Sandringham Hospital through the sponsorship of a kinder program at the Paediatric Radiology Unit. The funds facilitated a kinder program whereby children could familiarise themselves with the procedures and surrounds of the hospital environment. Funds also allowed for the redecorating of the radiology room to convert it to a child friendly welcoming area for little ones. The program has been so successful it was even featured on Channel 7 news!



◀ In their third year of sponsorship, coaches of Minties Netballers benefitted from a Coaches Training Course sponsored by Sandringham **Community Bank**[®] Branch. In doing so, they hope to maximise the potential in their thriving bayside netball team.

▶ Our long term partnership with Sandybeach Centre has continued to grow through sponsorship of the running costs of their Community Bus. This has allowed the centre to continue their good work transporting elderly and isolated Bayside residents to attend activities at the Centre and participate in local excursions. Sandybeach Centre are extremely grateful to the Sandringham **Community Bank**[®] Branch for their generous support.



Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs 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 expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(m) Provisions

Provisions are recognised when the company 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) 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:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes 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.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating 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.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 \$	2011 \$
--	------------	------------

Note 2. Revenue

Revenue from continuing activities

- services commissions	936,850	913,785
Other revenue		
- interest received	27,735	21,438
	964,585	935,223

Note 3. Expenses

Employee expenses

- wages and salaries	281,075	273,209
- superannuation costs	26,276	25,122
- workers' compensation costs	1,142	894
- other costs	24,112	12,572
	332,605	311,797

Depreciation of non-current assets:

- plant and equipment	23,537	19,397
-----------------------	--------	--------

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangible assets	10,000	10,000
	33,537	29,397
Bad debts	162	358

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%	45,140	43,147
Add tax effect of:		
- Non deductible expenses	2,394	-
- Under/(over) provision of tax in prior year	-	595
- Franchise fee deductible	-	(9,000)
- Investment Allowance	-	(10,628)
Current income tax expense	47,534	24,114
Income tax expense	47,534	24,114
Tax liabilities		
Current tax payable/ (refundable)	4,717	8,329

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,387	3,600
- Taxation services	530	-
- Share registry services	3,132	3,560
	8,049	7,160

Note 6. Cash and cash equivalents

Cash at bank and on hand	513,301	433,951
Security deposit	24,050	10,750
	537,351	444,701

Notes to the financial statements (continued)

	2012 \$	2011 \$
--	------------	------------

Note 7. Receivables

Trade debtors and other accruals	104,614	107,217
---	----------------	----------------

Note 8. Property, plant and equipment

Property, plant and equipment	198,063	192,563
Less accumulated depreciation	(48,160)	(24,623)
	149,903	167,940

Movements in carrying amounts

Property, Plant and Equipment

Carrying amount at beginning of year	167,940	23,378
Additions	5,500	163,959
Disposals	-	-
Depreciation expense	(23,537)	(19,397)
Carrying amount at end of year	149,903	167,940

Note 9. Investments

Listed shares at cost	6,028	5,689
------------------------------	--------------	--------------

Note 10. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(48,333)	(38,333)
	1,667	11,667

Note 11. Payables

GST payable	3,723	8,715
Other creditors and accruals	33,384	37,653
	37,107	46,368

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 12. Provisions		
Employee benefits	46,311	37,419
Movement in employee benefits		
Opening balance	37,419	38,046
Additional provisions recognised	29,306	21,183
Amounts utilised during the year	(20,414)	(21,810)
Closing balance	46,311	37,419

Note 13. Share capital

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

The company has authorised share capital amounting to 610,008 ordinary shares.

Note 14. Retained earnings

Balance at the beginning of the financial year (adjusted)	126,591	43,484
Profit after income tax	102,931	119,708
Dividend paid	(36,601)	(36,601)
Balance at the end of the financial year	192,921	126,591

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	537,351	444,701
--------------------	----------------	----------------

(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	102,931	119,708
Non cash items		
- Depreciation	23,537	19,397
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	2,603	(9,629)
- Increase (decrease) in payables	(9,261)	25,416
- Increase (decrease) in provisions	8,892	(627)
- Increase (decrease) in income tax payable / refundable	(3,612)	(564)
Net cash flows from/ (used in) operating activities	135,090	163,701

Notes to the financial statements (continued)

Note 16. Director and related party disclosures

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

Graham Manson Ludecke
Glenyss Airdrie Barnes (resigned 23 April 2012)
Michael John Davies
Glen Hay Kruger
Helen Diana Searle
Ian Richard Siebert
Campbell John Sinclair
Kim Visek-Johnson (resigned 8 August 2011)

During the year a payment of \$5,930 was made to Campbell Sinclair (Director) for consultancy services relating to recovery of costs in regard to the train incident. Other than this payment and Director's fees 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.

Directors' shareholdings / fees	Fees		Shareholding	
	2012 \$	2011 \$	2012	2011
Graham Manson Ludecke	3,000	3,000	6,500	6,500
Glenyss Airdrie Barnes (resigned 23 April 2012)	2,000	2,400	3,000	3,000
Michael John Davies	2,400	2,400	1,000	1,000
Glen Hay Kruger	2,400	600	-	-
Helen Diana Searle	1,900	600	-	-
Ian Richard Siebert	1,800	2,400	-	-
Campbell John Sinclair	2,300	1,800	1,500	1,500
Kim Visek-Johnson (resigned 8 August 2011)	200	600	-	-

There was no movement in Director shareholdings during the year.

Each share held has a paid up value of 85 cents (2011: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

Note 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Notes to the financial statements (continued)

Note 18. Contingent liabilities and 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 & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

Note 20. Corporate information

Sandringham Community Financial Services Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange.

The registered office and principal place of business is:

75 Station Street,
Sandringham VIC 3191

	2012 \$	2011 \$
--	------------	------------

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	102,931	119,708
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 (2011: 6 cents per share)	36,601	36,601
	36,601	36,601

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 22. Dividends paid or provided for on ordinary shares (continued)		
(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.	75,860	50,985
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	4,717	17,329
	80,577	68,314

The tax rate at which dividends have been franked is 30% (2011: 30%).

Note 23. Restatement of prior year tax balances

The entity had made a provisional estimate of its tax asset at the 30 June 2011 financial year. On finalisation of its 2011 tax return, that provisional estimate has now been corrected. The variance is due to a change in the estimate of the tax benefit attributed to an investment allowance, and the correction of an accounting calculation error made when calculating that investment allowance. The total adjustment attributable to this is \$66,552. In addition, a tax benefit of \$9,000 was identified relating to allowable franchise fee deductions not previously claimed. The net effect of these two errors is \$57,552.

	Original June 2011 \$	Restated June 2011 \$	Difference \$
Current tax refundable	15,190	-	15,190
Deferred tax asset	34,033	-	34,033
Tax payable	-	8,329	8,329
Retained earnings	184,143	126,591	(57,552)
			-

Notes to the financial statements (continued)

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
Financial assets			
Cash & cash equivalents	6	537,351	444,701
Receivables	7	104,614	107,217
Total financial assets		641,965	551,918
Financial liabilities			
Payables	11	37,107	46,368
Total financial liabilities		37,107	46,368

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. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive 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.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

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

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 \$	2011 \$
Cash and cash equivalents	537,351	444,701
Receivables	104,614	107,217
	641,965	551,918

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.

None of the assets of the company are past due (2011: 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.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank.

(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.

Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012				
Financial liabilities due for payment				
Payables	(37,107)	(37,107)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(37,107)	(37,107)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	537,351	537,351	-	-
Receivables	104,614	104,614	-	-
Total anticipated inflows	641,965	641,965	-	-
Net (outflow)/inflow on financial instruments	604,858	604,858	-	-

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2011				
Financial liabilities due for payment				
Payables	(46,368)	(46,368)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(46,368)	(46,368)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	444,701	444,701	-	-
Receivables	107,217	107,217	-	-
Total anticipated inflows	551,918	551,918	-	-
Net (outflow)/inflow on financial instruments	505,550	505,550	-	-

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

Two term deposits totalling \$24,050 were held as security in regard to lease commitments as at June 30 2012 (2011: \$10,750).

(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 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	
	2012 \$	2011 \$
Fixed rate instruments		
Financial assets	484,208	401,219
Financial liabilities	-	-
	484,208	401,219
Floating rate instruments		
Financial assets	53,143	43,482
Financial liabilities	-	-
	53,143	43,482

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Capital management

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 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, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 14 to 34 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 2012 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.



Graham Manson Ludecke
Chairman

Signed at Sandringham, Victoria on 20 September 2012.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200

Fax: (03) 5444 4344

Email: rsd@rsd advisors.com.au

www.rsdadvisors.com.au

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

Report on the 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 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion 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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:

Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Independent audit report (continued)

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

Independence

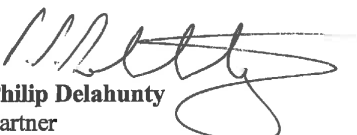
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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 2012 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(a).

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants


Philip Delahunty
Partner

Dated at Bendigo, 20th September 2012

NSX report

Share Information

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	205
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	305

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
JC Burton, MT Burton & VA Cook as Trustee for <Estate Late Elizabeth Ann 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
	177,500	29.10

NSX 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

Kate Robb
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.

5 Year summary of performance

	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$
Gross Revenue	\$680,604	\$712,893	\$868,413	\$935,223	\$964,585
Net profit before tax	\$81,599	\$97,106	\$87,306	\$143,822	\$150,465
Total assets	\$594,954	\$607,415	\$629,882	\$737,214	\$799,563
Total liabilities	\$81,277	\$68,564	\$67,891	\$92,116	\$88,135
Total equity	\$513,677	\$538,851	\$561,991	\$645,098	\$711,428
Earnings per share	9.36 c	10.13 c	9.79 c	19.62 c	16.87 c

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/sandringham

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsd advisors.com.au
www.rsd advisors.com.au