

Sandringham Community Financial Services Ltd
ABN 86 099 131 192
Directors' Report

Your Directors submit their report of the company for the half year ended 31 December 2005.

Directors

The names of directors who held office during the half year and until the date of this report are:

Renate Lange	Gwendoline Zammit
Chair	Director/Treasurer
Business proprietor	Business manager

Terence Leo Earle	David Marshall
Director and Company Secretary	Director
Business proprietor	Business proprietor

Helen Beverley Worlidge	Fred Stringer
Director	Director
Author and educator	Retired

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

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$35,657 (2004: \$6,404).

Matters subsequent to the end of the reporting period

In accordance with a resolution passed at its Annual General Meeting on 24 November 2005, the company made a return of capital to its shareholders of 6c per share on 16 January 2006 reducing its issued capital from \$610,008 to \$573,408.

The company listed its shares on the Bendigo Stock Exchange on 18 January 2006.

Other than the above, there are no 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.

Sandringham Community Financial Services Ltd
ABN 86 099 131 192
Directors' Report

Auditor Independence Declaration

The directors received the following independence declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



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

Auditor's Independence Declaration

In relation to our review of the financial report of Sandringham Community Financial Services Ltd for the half year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
Bendigo
14 March 2006

Signed in accordance with a resolution of the Directors at Sandringham
on 14 March 2006.

Renate Lange, Chairman

Gwendoline Zammit, Treasurer

Sandringham Community Financial Services Limited
ABN 83 099 131 192
Condensed Income Statement
for the half-year ended 31 December 2005

	Note	2005 \$	2004 \$
Revenue from ordinary activities		239,812	196,080
Other revenue		3,891	1,519
Salaries and employee benefit expense		(94,609)	(103,639)
Depreciation and amortisation expense		(20,682)	(21,356)
Other expenses from ordinary activities		<u>(75,330)</u>	<u>(61,312)</u>
Profit from ordinary activities before income tax expense		53,082	11,292
Income tax expense relating to ordinary activities		<u>17,425</u>	<u>4,888</u>
Net profit attributable to members of the entity		<u>35,657</u>	<u>6,404</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>35,657</u></u>	<u><u>6,404</u></u>
Earnings per share (cents per share)			
- basic for profit for the half year		5.85	1.05
- diluted for profit for the half year		5.85	1.05
- dividends paid per share	5	-	-

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Condensed Balance Sheet
as at 31 December 2005

	31-Dec 2005 \$	30-Jun 2005 \$
Current Assets		
Cash assets	230,714	175,732
Receivables	51,880	49,120
Total Current Assets	<u>282,594</u>	<u>224,852</u>
Non-Current Assets		
Property, plant and equipment	98,037	106,962
Deferred income tax asset	59,875	77,300
Intangibles	35,268	47,024
Total Non-Current Assets	<u>193,180</u>	<u>231,286</u>
Total Assets	<u>475,774</u>	<u>456,138</u>
Current Liabilities		
Payables	28,346	42,065
Provisions	17,256	19,558
Total Current Liabilities	<u>45,602</u>	<u>61,623</u>
Total Liabilities	<u>45,602</u>	<u>61,623</u>
Net Assets	<u>430,172</u>	<u>394,515</u>
Equity		
Issued capital	610,008	610,008
Accumulated losses	<u>(179,836)</u>	<u>(215,493)</u>
Total Equity	<u>430,172</u>	<u>394,515</u>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Condensed Cash Flow Statement
for the half-year ended 31 December 2005

	2005	2004
	\$	\$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	262,387	204,584
Cash payments in the course of operations	(211,296)	(173,167)
Interest received	3,891	1,519
Income tax paid	-	-
	<hr/>	<hr/>
Net cash flows from (used in) operating activities	54,982	32,936
	<hr/>	<hr/>
Net increase (decrease) in cash held	54,982	32,936
Opening cash brought forward	175,732	72,195
	<hr/>	<hr/>
Closing cash carried forward	230,714	105,131
	<hr/> <hr/>	<hr/> <hr/>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Condensed Statement of Changes in Equity
for the half-year ended 31 December 2005

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2004	610,008	(244,185)	365,823
Net profit for the period	-	6,404	6,404
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 31 December 2004	<u>610,008</u>	<u>(237,781)</u>	<u>372,227</u>

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2005	610,008	(215,493)	394,515
Net profit for the period	-	35,657	35,657
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 31 December 2005	<u>610,008</u>	<u>(179,836)</u>	<u>430,172</u>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the half-year ended 31 December 2005

1. Basis of preparation of the Half-Year Financial Report

(a) Basis of accounting

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Sandringham Community Financial Services Ltd as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP'). It is also recommended that this half year financial report be considered together with any public announcements made by Sandringham Community Financial Services Ltd during the half year ended 31 December 2005 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

For the purpose of preparing the half year financial statements the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half year financial report based on AIFRS and comparatives for the half year ended 31 December 2004 and full year ended 30 June 2005 have been restated accordingly. Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half year ended 31 December 2004 and full year ended 30 June 2005,

to the balances reported in the 31 December 2004 half year report and 30 June 2005 full year financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant accounting policies

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the half-year ended 31 December 2005

1. Basis of preparation of the Half-Year Financial Report (continued)

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Property, plant and equipment

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

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	7.5 - 20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the half-year ended 31 December 2005

1. Basis of preparation of the Half-Year Financial Report (continued)

Recoverable amount of assets (continued)

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	30-Jun 2005 \$	31-Dec 2004 \$	1-Jul 2004 \$
Total equity under AGAAP	317,215	281,250	269,958
Recognition of deferred income tax asset (#)	<u>77,300</u>	<u>90,977</u>	<u>95,865</u>
Total equity under AIFRS	<u><u>394,515</u></u>	<u><u>372,227</u></u>	<u><u>365,823</u></u>

The above adjustment to equity will be reflected in retained earnings.

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

Reconciliation of profit after tax presented under AGAAP to that under AIFRS

	Year Ended 30-Jun 2005 \$	Half-year Ended 31-Dec 2004 \$
Profit after tax as previously reported (AGAAP)	47,257	11,292
Adjustment to income tax expense (#)	<u>(18,565)</u>	<u>(4,888)</u>
Profit after tax under AIFRS	<u><u>28,692</u></u>	<u><u>6,404</u></u>

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the half-year ended 31 December 2005

2. Events subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date other than those disclosed in the Directors' Report.

3. Contingent Assets and Liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

4. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Sandringham, Victoria.

5. Dividends Paid	2005	2004
	\$	\$
<i>Dividends paid during the half year</i>		
Final franked dividend for the year ended 30 June 2005	-	-
<i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for the year ended 30 June 2006	-	-

6. Director and Related Party Disclosures

The names of directors who have held office during the half year ended 31 December 2005 are:

Renate Lange
Gwendoline Zammit
Terence Leo Earle
David Marshall
Fred Stringer
Helen Worlidge

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

The exception to the above is reimbursement of expenses to the Company Secretary (Terence Earle) of \$50 per month from January 2005 (\$300 for year ended 30 June 2005) and payment to the Treasurer (Gwendoline Zammit) for preparation of financial statements and Business Activity Statements of \$600 for the half year ended 31 December 2005 (\$1,600 for the year ended 30 June 2005).

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the half-year ended 31 December 2005

6. Director and Related Party Disclosures (continued)

Directors shareholdings	<u>2005</u>	<u>2004</u>
Renate Lange	4,701	4,701
Gwendoline Zammit	2,001	2,001
Terence Leo Earle	4,001	4,001
David Marshall	2,000	2,000
Fred Stringer	-	-
Helen Worlidge	501	501

There was no movement in directors shareholdings during the period. Each share held has a paid up value of \$1 and is fully paid.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Directors Declaration
for the half-year ended 31 December 2005

In accordance with a resolution of the directors of Sandringham Community Financial Services Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company:
 - (i) give a true and fair view of the company's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134, "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Renate Lange, Chairman

Gwendoline Zammit, Treasurer

Signed in Sandringham, Victoria on this 14th day of March 2006