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Chairman's report

For year ending 30 June 2006

I am pleased to invite you to the fifth Annual General Meeting of Sandringham Community Financial Services, where we will share with you our achievements for the year ended 30 June 2006.

I'm proud and pleased to be able to participate in this ongoing relationship with you, our Shareholders, as without you this bank branch would not exist.

In our third full year of trading, we have increased our revenue from $411,161 to $499,799 resulting in a profit of $95,970 before tax compared to $47,257 last year. Profit after tax for this financial year amounted to $64,179 providing earnings per share of 10.52 cents compared to 4.7 cents last financial year. Operating expenses continued to be well contained with additional expenditure targeted to increasing the Company's exposure in the Sandringham community to further grow our business.

During the year, the Company paid out $36,600 as a 6 cents per share return of capital and increased its cash reserves by $84,618 to $260,350.

Our commitment to our local community has been strengthened through the wonderful support and dedication of our Community Advisory Board.

Our last project was in conjunction with Bayside City Council, where we contributed $5,000 and the Council $2,500. This resulted in the installation of a "My Reader Computer" for visually impaired residents in the Sandringham Library. Again this was only possible with your support and with the growth of our banking business.

The continuing growth has been spurred along through our very dedicated Branch Manager Matthew Gallop and his staff - Christine Fry, Jane Turner, Vikki Baker and Malcolm Sinclair.

Deidre Boucher resigned due to her husband's retirement and we wish her well.

I extend the most sincere thank you to the Board for their tireless efforts and also my gratitude for the ongoing support from Bendigo Bank and their support team.

In my last address to you I mentioned our plan to list our shares on the Bendigo Stock Exchange (BSX). This was completed and we are now a fully listed Company. This gives us further exposure and opportunities for growth.

I'm very confident of continued strong growth in the coming year and look forward to seeing you at our Annual General Meeting.

Yours faithfully,

Renate Lange
Chairman

Manager's report

For year ending 30 June 2006

The Sandringham **Community Bank®** Branch has been trading a little less than four years and we continue to grow at a pleasing rate. While a little slower than previous years, total accounts have increased by almost 15 per cent and on average we opened as many accounts on a monthly basis as we did in the early days of trading.

The demand for a full service bank branch that provides exceptional service has not waned. In addition to the strong increase in accounts, our profitability exceeded expectations by 23 per cent.

The profile of the business continues to grow in Sandringham and relationships with key groups such as the City of Bayside, Lions, Rotary International and community and sporting groups, continue to strengthen. As our business grows, so does our ability to support the local community. If you are a member of a local organisation please feel free to contact me as I am always looking for opportunities to talk to local groups or organisations about our banking options and the **Community Bank®** model.

Our dedicated staff have contributed significantly to our growth over the 12 months by creating a friendly and professional business environment. I wish acknowledge and thank my staff, Christine Fry, Jane Turner and Vikki Baker.

Deidre Boucher and Malcolm Sinclair retired during the year, however, Malcolm has stayed on as a casual employee to be called on during emergencies.

Michelle Richards began maternity leave during the year and is anticipated to return in early 2007. I thank them all for their professionalism and commitment to our branch's success.

I express my appreciation to Board Directors for their support and encouragement over the last 12 months. I very much enjoy the experience of the **Community Bank®** branch and achieve great personal satisfaction being actively involved in its success.

The continued growth of the Sandringham **Community Bank®** Branch will of course be reliant upon the continued support of the local community. As a Shareholder of the business, please continue to lend your support as an advocate for the branch and encourage family, friends and neighbours to open an account with us. This in return will support the local community through our sponsorship programs.

Matthew Gallop
Branch Manager

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Renate Lange
Chair
Business proprietor

Terence Leo Earle
Director and Company Secretary
Business proprietor

Helen Beverley Worladge
Director/Deputy Chair
Author and educator

Gwendoline Zammit
Director/Treasurer
Business manager

David Marshall
Director
Business proprietor

Fred Stringer
Director
Retired

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

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

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $64,179 (2005:$ 28,692).

Dividends

A 6 cent return of capital was paid during the year, no dividend was declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

The Company listed on the Bendigo Stock Exchange on 17 January 2006.

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

Directors' report continued

Significant events after the balance date

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.

Likely developments

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

Directors' benefits

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 exception to the above is reimbursement of expenses to the Company Secretary (Terence Earle) of $600 (2005: $300) and payment to the Treasurer (Gwendoline Zammit) for preparation of financial statements and Business Activity Statements of $3,600 (2005: $1,600).

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

	Number eligible to attend	Number attended
Renate Lange	11	11
Gwendoline Zammit	11	10
Terence Leo Earle	11	11
David Marshall	11	7
Fred Stringer	11	9
Helen Worladge	11	10

Company Secretary

Terence Earle has been the Company Secretary of Sandringham Community Financial Services Ltd for two years. His qualifications and experience include being a Fellow of the Australian Institute of Management and Board membership of a number of private companies.

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 Terence Earle and Gwendoline Zammit;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on 12 September 2006.

Helen Worladge
Deputy Chair

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 $	2005 $
Revenues from ordinary activities	2	499,799	411,161
Employee benefits expense	3	(193,830)	(200,297)
Depreciation and amortisation expense	3	(41,363)	(42,044)
Administration & other expenses from ordinary activities		(168,636)	(121,563)
Profit before income tax expense		**95,970**	**47,257**
Income tax expense	4	31,791	18,565
Profit after income tax expense		**64,179**	**28,692**

Earnings per share (cents per share)			
- basic for profit for the year	20	10.52	4.70
- diluted for profit for the year	20	10.52	4.70
- dividends paid per share	21	6.00	-

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2006

	Note	2006 $	2005 $
Current assets			
Cash assets	6	260,350	175,732
Receivables	7	54,522	49,120
Total current assets		**314,872**	**224,852**
Non-current assets			
Property, plant and equipment	8	89,111	106,962
Deferred income tax asset	4	45,509	77,300
Intangible assets	9	23,512	47,024
Total non-current assets		**158,132**	**231,286**
Total assets		**473,004**	**456,138**
Current liabilities			
Payables	10	30,944	42,065
Provisions	11	19,966	19,558
Total current liabilities		**50,910**	**61,623**
Total liabilities		**50,910**	**61,623**
Net assets		**422,094**	**394,515**
Equity			
Share capital	12	573,408	610,008
Accumulated losses	13	(151,314)	(215,493)
Total equity		**422,094**	**394,515**

The accompanying notes form part of these financial statements.

Statement of cash flows

As at 30 June 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Cash receipts in the course of operations		527,939	432,105
Cash payments in the course of operations		(416,098)	(332,364)
Interest received		9,377	3,796
Net cash flows from/(used in) operating activities	**14b**	**121,218**	**103,537**
Cash flows from financing activities			
Return of capital paid		(36,600)	-
Net cash flows from/(used in) financing activities		**(36,600)**	**-**
Net increase/(decrease) in cash held		84,618	103,537
Add opening cash brought forward		175,732	72,195
Closing cash carried forward	**14a**	**260,350**	**175,732**

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 $	2005 $
Share capital			
Ordinary shares			
Balance at start of year		610,008	610,008
Issue of share capital		-	-
Return of capital of 6 cents per share		36,600	-
Balance at end of year		**573,408**	**610,008**
Retained earnings/(accumulated losses)			
Balance at start of year		(215,493)	(244,185)
Profit after income tax expense		64,179	28,692
Dividends paid		-	-
Balance at end of year		**(151,314)**	**(215,493)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 12 September 2006.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). 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 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant amended 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. Also refer to note 1(e).

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies 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.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Property, Plant & Equipment	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.

Note 1: Summary of significant accounting policies 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 $	1-Jul 2004 $
Total equity under AGAAP	317,215	269,958
Recognition of deferred income tax asset (#)	77,300	95,865
Total equity under AIFRS	**394,515**	**365,823**

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 $
Profit after tax as previously reported (AGAAP)	47,257
Adjustment to income tax expense (#)	(18,565)
Profit after tax under AIFRS	**28,692**

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.

(e) Significant accounting policies

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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 balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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.

Interest bearing liabilities

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed 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.

Note 2: Revenue from ordinary activities

	2006 $	2005 $
Operating activities		
- services commissions	490,422	407,365
Non-operating activities:		
- interest received	9,377	3,796
Total revenue from ordinary activities	**499,799**	**411,161**

Notes to financial statements continued

	2006 $	2005 $

Note 3: Expenses

	2006 $	2005 $
Employee benefits expense		
- wages and salaries	172,232	175,814
- superannuation costs	18,633	18,311
- workers' compensation costs	672	1,186
- other costs	2,293	4,986
	193,830	**200,297**
Depreciation of non-current assets:		
- plant and equipment	17,851	18,532
Amortisation of non-current assets:		
- intangibles	23,512	23,512
	41,363	**42,044**
Bad debts	**3,033**	**487**

Note 4: Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2006 $	2005 $
Prima facie tax on profit before income tax at 30%	28,791	14,177
Add tax effect of:		
- Non deductible expenses	3,000	4,388
Current income tax expense	**31,791**	**18,565**
Income tax expense	**31,791**	**18,565**
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable	**45,509**	**77,300**

Notes to financial statements continued

	2006 $	2005 $

Note 5: Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	**3,650**	**3,650**

Note 6: Cash assets

Cash at bank and on hand	249,600	164,982
Security Deposit	10,750	10,750
	260,350	**175,732**

Note 7: Receivables

Trade debtors	54,522	49,120
	54,522	**49,120**

Note 8: Property, plant and equipment

Property, Plant and Equipment	160,716	160,716
Less Accumulated Depreciation	(71,605)	(53,754)
	89,111	**106,962**
Movements in carrying amounts		
Property, plant and equipment		
Carrying amount at beginning of year	106,962	125,494
Additions	-	-
Disposals	-	-
Depreciation expense	(17,851)	(18,532)
Carrying amount at end of year	**89,111**	**106,962**

Notes to financial statements continued

	2006 $	2005 $
Note 9: Intangible assets		
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(40,000)	(30,000)
	10,000	**20,000**
Preliminary expenses		
At cost	67,560	67,560
Less accumulated amortisation	(54,048)	(40,536)
	13,512	**27,024**
	23,512	**47,024**

Note 10: Payables

GST Payable	11,449	16,771
Other creditors and accruals	19,495	25,294
	30,944	**42,065**

Note 11: Provisions

Employee benefits	19,966	19,558
Number of employees at year end	**5**	**5**

Note 12: Share capital

610,008 Ordinary Shares fully paid to $1	610,008	610,008
Return on capital of 6 cents per share (2005: Nil)	36,600	-
	573,408	**610,008**

Notes to financial statements continued

	2006 $	2005 $

Note 13: Accumulated losses

	2006 $	2005 $
Balance at the beginning of the financial year	(215,493)	(244,185)
Profit after income tax	64,179	28,692
Balance at the end of the financial year	**(151,314)**	**(215,493)**

Note 14: Cash flow statement

(a) Reconciliation of cash

	2006 $	2005 $
Cash assets	**260,350**	**175,732**
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	64,179	28,692
Non cash items		
- Depreciation	17,851	18,532
- Amortisation	23,512	23,512
Changes in assets and liabilities		
- (Increase) decrease in receivables	(5,402)	(14,725)
- Increase (decrease) in payables	(11,121)	24,334
- Increase (decrease) in provisions	408	4,627
- (Increase) decrease in deferred tax asset	31,791	18,565
Net cashflows from/ (used in) operating activities	**121,218**	**103,537**

Note 15: Director and related party disclosures

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

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

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.

Notes to financial statements continued

Note 15: Director and related party disclosures continued

The exception to the above is reimbursement of expenses to the Company Secretary (Terence Earle) of $600 (2005: $300) and payment to the Treasurer (Gwendoline Zammit) for preparation of financial statements and Business Activity Statements of $3,600 (2005: $1,600).

Directors Shareholdings	**2006**	**2005**
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 Worladge	501	501

There was no movement in Directors shareholdings during the year.

Each share held has a paid up value of 94 cents (2005: $1) and are fully paid. The above holdings are held personally or in associated entities.

Note 16: Subsequent events

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

Note 17: Contingent liabilities

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

Note 18: Segment reporting

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

Note 19: Corporate information

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

The registered office and principal place of business is:

75 Station Street,
Sandringham, VIC 3191

Notes to financial statements continued

	2006 $	2005 $

Note 20: 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:

	2006 $	2005 $
Profit after income tax expense	**64,179**	**28,692**
Weighted average number of ordinary shares for basic and diluted earnings per share	**610,008**	**610,008**

Note 21: Dividends paid or provided for on ordinary shares

A return of capital of 6 cents (2005: Nil) was paid during the year.

Note 22: Financial instruments

Net fair values

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

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Note 22: Financial instruments continued

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non Interest bearing		Weighted average effective interest rate	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 %	2005 %
Financial assets												
Cash assets	249,600	164,982	-	-	-	-	-	-	10,750	10,750	4.48	4.75
Receivables	-	-	-	-	-	-	-	-	54,522	49,120	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	30,944	42,065	N/A	N/A

Directors' declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and 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.

Helen Worladge
Deputy Chair

Signed at Sandringham, Victoria on 12 September 2006.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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

To the members of Sandringham Community Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for Sandringham Community Financial Services Limited, for the year ended 30 June 2006.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independent audit report continued

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Directors and management of the Company.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Sandringham Community Financial Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

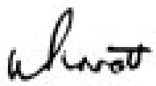
   (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



W. J. SINNOTT
Partner

Bendigo

Date: 12 September 2006

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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

In relation to our audit of the financial report of Sandringham Community Financial Services Ltd for the financial year ended 30 June 2006, 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

12 September 2006

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 30 September 2006, which is within 6 weeks of this report being sent to Shareholders.

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

Number of Shares held	Number of Shareholders
1 to 1,000	209
1,001 to 5,000	93
5,001 to 10,000	7
10,001 to 100,000	5
100,001 and over	0
Total Shareholders	**314**

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 5 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 $0.94c per share. There are no unquoted equity securities.

The following table shows the 10 largest Shareholders.

Shareholder	Number of Shares	Percentage of capital
Boulder Super Co Pty Ltd	50,000	8.20%
Nikstan Constructions Pty Ltd	20,000	3.28%
Maslen Pty Ltd	20,000	3.28%
Fleray Pty Ltd atf Senior Super Fund	20,000	3.28%
Ruth Tait	12,500	2.05%
W Neil Petch	10,000	1.64%
Brennan Super Fund	10,000	1.64%
Elizabeth & Margaret Fordyce	10,000	1.64%
Peter Welsh Super Fund	10,000	1.64%
William Hugh & Joyce Anne Bell	10,000	1.64%
	172,500	**28.28%**

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

75 Station Street,
Sandringham, VIC 3191

Phone: 03 9521 6488

The principal administrative office of the Company is located at:

75 Station Street,
Sandringham, VIC 3191

Phone: 03 9521 6488

Security register

The security register (share register) is kept at:

75 Station Street,
Sandringham, VIC 3191

Phone: 03 9521 6488

Other information

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

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.