

2008 annual report



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Chairman's report

For year ending 30 June 2008

Dear shareholders

It's with great pleasure that I invite you to the seventh Annual General Meeting of Sandringham Community Financial Services Ltd. The meeting will be held at the Sandy Beach Community Centre on 20 November 2008.

I am looking forward meeting you to share our achievements in our banking business as well as our community involvement over the last 12 months. We have achieved outstanding results at our **Community Bank®** branch not only in the banking sector, but also with our community projects.

- A very successful men's health night was held at the Sandringham Football Club.
- An ongoing relationship was established with Sandringham College to help fund their Education Support Program.
- Bayside City Council and our Branch held a Community Planting Day.
- Fairway Hostel received money towards the purchase of two Beds.
- Sandy Beach Centre was able to fulfil their aspirations to own and run two community buses through our Sponsorship agreement over a three year period.
- Solar panels were installed at the Black Rock Lifesavings Club. This was a combined effort with Bayside Council.

These are just a few of our new partnerships and we endeavour to commit and strengthen our existing sponsorship agreements. Through those partnerships our objective is to be relevant, connected and valued by our customers.

Our deepening community involvement is certainly reflected in our outstanding result.

- We grew our business by \$ 17,619.00 against a net target of \$ 6,300.00.
- Our banking balance grew to \$ 75,699.00 and our revenue increased from \$ 562,027.00 to \$ 679,454.00.
- Pre tax profit of \$ 81,599.00 was achieved after a contribution of \$ 45,565.00 in to the Bendigo Bank Community Enterprise™ Foundation.

As we are now in accumulated profit we have moved from a return of capital to a dividend payment which we set at 6 cents a share.

This is to a large extent the outcome of a very dedicated team and I would like to take this opportunity to extend a very sincere thank you to our Bank Manager, Matthew Gallop, and the branch staff, Vikki Baker, Angela Meo, Jane Turner and our most recent employee Julie Dunn who replaced Denny Hocking who gave birth to baby boy in April.

Chairman's report continued

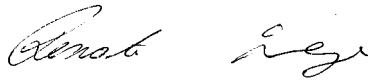
We appointed two new Directors, Glen Barnes and Michael Davies. Michael Davies was given the role of treasurer due to his expertise in finance which will certainly enrich our Board. We can now look forward to exploring new strategies and business opportunities.

To our Board I extend sincerest thanks for their tireless contribution and ongoing support.

I also extend my gratitude to Bendigo Bank and their support team not only do they train and support our banking staff but we as Directors gain considerable knowledge thru this support.

I believe as we move forward we must focus on our customers, our communities and on our **Community Bank®** branch's success will be the outcome.

Yours faithfully



Renate Lange
Chairperson

Manager's report

For year ending 30 June 2008

The Sandringham **Community Bank**[®] Branch has been trading for just under six years, and in 2007/08 we enjoyed an exceptional year with total balances growing a very pleasing 30% from \$58,080,000 to \$75,699,000 against a budget of 11% net.

It has been pleasing to see our existing clients transfer more and more of their business as a strong trust grows between us. New clients continue to be attracted to us as our involvement in the community strengthens. Growing recognition of the Board and staff in the community continues to open doors and avails us to opportunities not previously available.

With our success and increased profitability, we refocused during the year to start to have a “story to tell” as we looked and listened to what our community's needs, hopes and expectations were.

Looking forward to the next financial year we will see our first grants program occur and investigate more match funding programs with community groups and all levels of government. Our previous involvement in the Berendale Hydro Pool was an example of such match funding.

Our dedicated staff continue to provide service second to none and I wish to acknowledge Vikki Baker, Angela Meo, Jane Turner, Denny Hocking and Julie Dunn. I thank them for their professionalism and commitment to the business.

I 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.

We certainly enter into a year with an economy that we have not seen since our opening but with the strong support of the Bendigo Bank with its 150 year history, and our loyal customers and shareholders we look forward to another strong result.



Matthew Gallop
Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

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

David Marshall

Director

Business proprietor

Helen Beverley Worlidge

Director

Author and educator

Michael Davies (appointed 29 January 2008)

Director & Treasurer

Company Director

Gwendoline Zammit (resigned 29 January 2008)

Director and Treasurer

Business manager

Terence Leo Earle

Director

Business proprietor

Campbell John Sinclair

Director

Company Director

Frederick John Craven Stringer

Director

Retired

Glenyss Barnes (appointed 29 January 2008)

Director

Management Consultant

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank 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 \$57,120 (2007: \$89,364).

Dividends

There were no dividends paid or provided for during the year.

Directors' report continued

Significant changes in the state of affairs

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

Significant events after the balance date

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

Other than detailed below no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

During the year a total of \$6,600 (2007: \$6,000) was paid to Gwendoline Zammit. These payments were for reimbursement of expenses as part of the Company Secretary role and payment as part of the Treasurer role for preparation of financial statements and business activity statements.

Prior to 30 June 2007 no Directors' fees were paid as the positions were held on a voluntary basis. Shareholders resolved on 22 November 2007 to commence payment of Directors fees of \$150 per month in arrears from 1 July 2007.

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' report continued

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:

	Eligible to attend	Number attended	Fees	
			2008 \$	2007 \$
Renate Lange	11	11	1,800	
Terence Leo Earle	11	11	1,800	-
David Marshall	11	7	1,800	-
Campbell John Sinclair	11	11	1,800	-
Helen Beverley Worladge	11	9	1,800	-
Frederick John Craven Stringer	11	8	1,800	-
Michael Davies (appointed 29 January 2008)	6	6	750	-
Glenyss Barnes (appointed 29 January 2008)	6	5	750	-
Gwendoline Zammit (resigned 29 January 2008)	6	4	7,650	6,000

Company Secretary

Gwendoline Zammit was appointed as Company Secretary upon resigning from the Board of Directors in January 2008. Gwen is a CPA and experienced Company Secretary.

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 Michael Davies (Chair), Renate Lange, Terence Earle, Graham Ludecke, Matthew Gallop 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.

Directors' report continued

Richmond Sinnott & Delahunty Chartered Accountants



23 September 2008

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

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Sandringham Community Financial Services Limited for the year ended 30 June 2008, 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

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on
23 September 2008.

Renate Lange
Chairman

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	680,604	562,027
Employee benefits expense	3	(261,637)	(212,817)
Charitable donations and sponsorship		(116,575)	(14,433)
Depreciation and amortisation expense	3	(23,568)	(41,849)
Administration & other expenses from ordinary activities		(197,225)	(160,979)
Profit before income tax expense		81,599	131,949
Income tax expense	4	24,479	42,585
Profit after income tax expense		57,120	89,364
Earnings per share (cents per share)			
- basic for profit for the year	21	9.36	14.65
- diluted for profit for the year	21	9.36	14.65
- dividends paid per share	22	-	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	411,377	433,788
Receivables	7	65,659	50,323
Total current assets		477,036	484,111
Non-current assets			
Property, plant and equipment	8	71,259	79,893
Investments	9	4,993	-
Deferred income tax asset	4	-	2,924
Intangible assets	10	41,666	-
Total non-current assets		117,918	82,817
Total assets		594,954	566,928
Current liabilities			
Payables	11	29,060	39,148
Current tax liability	4	21,555	-
Provisions	12	30,662	16,322
Total current liabilities		81,277	55,470
Total liabilities		81,277	55,470
Net assets		513,677	511,458
Equity			
Share capital	13	518,507	573,408
Accumulated losses	14	(4,830)	(61,950)
Total equity		513,677	511,458

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		702,876	587,660
Cash payments in the course of operations		(629,969)	(421,126)
Interest received		21,176	16,023
Net cash flows from/(used in) operating activities	15b	94,083	182,557
Cash flows from investing activities			
Purchase of property plant and equipment		(6,600)	(9,119)
Purchase of intangible asset		(50,000)	-
Purchase of investment		(4,993)	-
Net cash flows from/(used in) investing activities		(61,593)	(9,119)
Cash flows from financing activities			
Return of capital paid		(54,901)	-
Net cash flows from/(used in) financing activities		(54,901)	-
Net increase/(decrease) in cash held		(22,411)	173,438
Add opening cash brought forward		433,788	260,350
Closing cash carried forward	15a	411,377	433,788

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		573,408	573,408
Issue of share capital		-	-
Return of capital of 9 cents per share		54,901	-
Balance at end of year		518,507	573,408
Accumulated losses			
Balance at start of year		(61,950)	(151,314)
Profit after income tax expense		57,120	89,364
Dividends paid		-	-
Balance at end of year		(4,830)	(61,950)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(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 23 September 2008.

(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.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

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.

Notes to the financial statements continued

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

Investments

Investments in listed shares are recorded at cost.

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Property, Plant & Equipment	5 - 20%

Impairment

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

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

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

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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.

Notes to the financial statements continued

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

Employee benefits

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

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).

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.

Notes to the financial statements continued

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

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.

	2008 \$	2007 \$
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Note 2. Revenue from ordinary activities

Operating activities

- services commissions	659,428	546,004
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Non-operating activities:

- interest received	21,176	16,023
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Total revenue from ordinary activities	680,604	562,027
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Note 3. Expenses

Employee benefits expense

- wages and salaries	216,191	192,998
- superannuation costs	20,067	17,307
- workers' compensation costs	605	639
- other costs	24,774	1,873
	261,637	212,817

Depreciation of non-current assets:

- plant and equipment	15,234	18,337
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Amortisation of non-current assets:

- intangibles	8,334	23,512
	23,568	41,849

Bad debts	52	38
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Notes to the financial statements continued

	2008 \$	2007 \$
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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%	24,480	39,585
Add tax effect of:		
- Non deductible expenses	-	3,000
Current income tax expense	24,480	42,585
Income tax expense	24,480	42,585
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	-	2,924
Tax liabilities		
Current tax payable	21,555	-

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
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Note 6. Cash assets

Cash at bank and on hand	400,627	423,038
Security deposit	10,750	10,750
	411,377	433,788

Note 7. Receivables

Trade debtors	65,659	50,323
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Property, plant and equipment	176,435	169,835
Less accumulated depreciation	(105,176)	(89,942)
	71,259	79,893

Movements in carrying amounts

Property, plant and equipment

Carrying amount at beginning of year	79,893	89,111
Additions	6,600	9,119
Disposals	-	-
Depreciation expense	(15,234)	(18,337)
Carrying amount at end of year	71,259	79,893

Note 9. Investments

Listed shares at cost	4,993	-
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Note 10. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(8,334)	(50,000)
	41,666	-

Preliminary expenses

At cost	-	67,560
Less accumulated amortisation	-	(67,560)
	-	-
	41,666	-

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Payables		
GST payable	8,854	16,181
Other creditors and accruals	20,206	22,967
	29,060	39,148

Note 12. Provisions

Employee benefits	30,662	16,322
Number of employees at year end	5	5

Note 13. Share capital

610,008 Ordinary Shares fully paid to 94 cents	573,408	573,408
Return on capital of 9 cents per share	(54,901)	-
	518,507	573,408

Note 14. Accumulated losses

Balance at the beginning of the financial year	(61,950)	(151,314)
Profit after income tax	57,120	89,364
Balance at the end of the financial year	(4,830)	(61,950)

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	411,377	433,788
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	57,120	89,364
Non cash items		
- Depreciation	15,234	18,337
- Amortisation	8,334	23,512

Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Cash flow statement (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(15,336)	4,199
- Increase (decrease) in payables	(10,088)	8,204
- Increase (decrease) in provisions	14,340	(3,644)
- Increase (decrease) in income tax payable	21,555	-
- (Increase) decrease in deferred tax asset	2,924	42,585
Net cashflows from/ (used in) operating activities	94,083	182,557

Note 16. Director and related party disclosures

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

Renate Lange

Terence Leo Earle

David Marshall

Campbell John Sinclair

Helen Beverley Worlidge

Frederick John Craven Stringer

Michael Davies (appointed 29 January 2008)

Glenyss Barnes (appointed 29 January 2008)

Gwendoline Zammit (resigned 29 January 2008)

Prior to 30 June 2007 no Directors' fees were paid as the positions were held on a voluntary basis.

Shareholders resolved on 22 November 2007 to commence payment of Directors fees of \$150 per month in arrears from 1 July 2007.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors shareholdings / fees	Fees		Shareholding	
	2008 \$	2007 \$	2008	2007
Renate Lange	1,800	-	5,701	5,701
Terence Leo Earle	1,800	-	4,001	4,001
David Marshall	1,800	-	2,000	2,000
Campbell John Sinclair	1,800	-	1,500	1,000
Helen Beverley Worladge	1,800	-	501	501
Frederick John Craven Stringer	1,800	-	-	-
Michael Davies (appointed 29 January 2008)	750	-	-	-
Glenyss Barnes (appointed 29 January 2008)	750	-	3,000	3,000
Gwendoline Zammit (resigned 29 January 2008)	7,650	6,000 [#]	2,001	2,001

[#] In addition to a payment of \$1,050, in relation to being a Director, during the year a total of \$6,600 (2007: \$6,000) was paid to Gwendoline Zammit. These payments were for reimbursement of expenses as part of the Company Secretary role and payment as part of the Treasurer role for preparation of financial statements and business activity statements.

Other than the purchase of 500 shares by Campbell Sinclair there were no movements in Directors' shareholdings during the year.

Each share held has a paid up value of 85 cents (2007: 94 cents) and are fully paid. The above holdings are held personally or in associated entities.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

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

Notes to the financial statements continued

Note 20. Corporate information

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

The registered office and principal place of business is:

75 Station Street,
Sandringham VIC 3191

	2008 \$	2007 \$
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Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	57,120	89,364
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

There were no dividends paid or provided for during the year.

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk

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

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

	Carrying amount	
	2008	2007
	\$	\$
Cash assets	411,377	433,788
Investments	4,993	-
Receivables	65,659	50,323
	482,029	484,111

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	29,060	(29,060)	(29,060)	-	-
	29,060	(29,060)	(29,060)	-	-
30 June 2007					
Payables	39,148	(39,148)	(39,148)	-	-
	39,148	(39,148)	(39,148)	-	-

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets	411,377	433,788
Financial liabilities	-	-
	411,377	433,788

Notes to the financial statements continued

Note 23. Financial risk management (continued)

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 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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 2008 can be seen in the Income Statement.

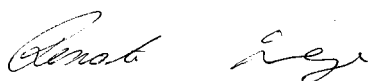
There were no changes in the Company's approach to capital management during the year.

Director's 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 2008 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.
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in
accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Renate Lange
Chairman

Signed at Sandringham, Victoria on 23 September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



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

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

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 2008.

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

Audit approach

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

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

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

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

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

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

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ABN 60 616 244 309

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Independent audit report continued

INDEPENDENCE

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

AUDIT OPINION

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

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 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 & Delahunt

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2008

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