

Sandringham Community Financial Services Limited



28 September 2010

National Stock Exchange of Australia
Bendigo Stock Exchange

Announcement

The directors of Sandringham Community Financial Services Ltd wish to announce that the audited annual accounts and directors' reports for the financial year ending 30 June 2010 were lodged with ASIC today and are attached here to.

A handwritten signature in black ink, appearing to read 'Gwendoline Zammit', with a long, sweeping underline.

Gwendoline Zammit
Company Secretary
Sandringham Community Financial Services Ltd

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

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

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

Graham Manson Ludecke Appointed 24 August 2009 Chair (appointed 1 July 2010) Retired banker	Renate Lange Resigned 30 June 2010 Chair (resigned 30 June 2010) Business proprietor
David Marshall Director Business proprietor	Campbell John Sinclair Director Company Director
Terence Leo Earle Director Business proprietor	Frederick John Craven Stringer Resigned 16 November 2009 Director Retired
Michael John Davies Director & Treasurer Company Director	Glenyss Airdrie Barnes Director Management Consultant
Helen Beverley Worlidge Resigned 24 July 2009 Director Author and educator	Ian Siebert Appointed 28 June 2010 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 banking 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 \$59,740 (2009: \$61,774).

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

Dividends

The Company paid a dividend of 6 cents per share during the year.

Significant Changes in the State of Affairs

The Directors advise that consideration is being given to the possible expansion of banking services through the establishment of a branch in Hampton.

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.

Significant events after the balance date

An amount of \$170,000 has been expended on refurbishment of the Sandringham Branch in August 2010.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

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.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

Sandringham Community Financial Services Limited
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Directors' Report

Directors Meetings / Fees

The number of Directors meetings attended by each of the Directors of the Company during the year and fees paid to directors were:

	Board Meetings #	Audit Committee Meetings #	Fees 2010 \$	2009 \$
Graham Manson Ludecke (appointed 24 August 2009)	10 (10)	5 (5)	1,523	-
Renate Lange (resigned 30 June 2010)	10 (11)	4 (5)	1,800	1,800
Terence Leo Earle	10 (11)	3 (5)	1,800	1,800
David Marshall	10 (11)	N/A	1,800	1,800
Campbell John Sinclair	11 (11)	N/A	1,800	1,800
Helen Worlidge (resigned 24 July 2009)	0 (0)	N/A	150	1,800
Frederick Stringer (resigned 16 November 2009)	1 (4)	N/A	969	1,800
Michael John Davies	8 (11)	5 (5)	1,800	1,650
Glenyss Airdrie Barnes	10 (11)	N/A	1,800	1,650
Ian Siebert (appointed 28 June 2010)	1 (1)	N/A	-	-

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Gwendoline Zammit was appointed as Company Secretary upon resigning from the Board of Directors in January 2008. Gwen is a CPA, an experienced Company Secretary and holds a Certificate in Governance Practice from Chartered Secretaries Australia.

Corporate Governance

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

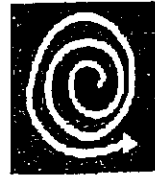
- (a) An audit committee. Members of the audit committee are Michael Davies (Chair), Renate Lange, Terence Earle, Graham Ludecke, Matthew Gallop and Gwendoline Zammit;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Sandringham Community Financial Services Limited
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Directors' Report

Auditor Independence Declaration

The directors received the following declaration from the auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants



172-176 Melvor Rd
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 audit of the financial report of Sandringham Community Financial Services Limited for the financial year ended 30 June 2010, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty
27 September 2010

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on
27 September 2010.

Graham Manson Ludecke

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Statement of Comprehensive Income
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	868,413	712,893
Employee expenses	3	(276,491)	(272,251)
Charitable donations and sponsorship		(217,786)	(124,097)
Depreciation and amortisation expense	3	(55,770)	(24,997)
Administration & other expenses from ordinary activities		<u>(231,060)</u>	<u>(194,442)</u>
Profit before income tax expense		87,306	97,106
Income tax expense	4	<u>27,566</u>	<u>35,332</u>
Profit after income tax expense		59,740	61,774
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>59,740</u></u>	<u><u>61,774</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	21	9.79	10.13
- diluted for profit for the year	21	9.79	10.13

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	481,876	440,276
Receivables	7	97,588	74,095
Total Current Assets		<u>579,464</u>	<u>514,371</u>
Non-Current Assets			
Property, plant and equipment	8	23,378	56,261
Investments	9	5,373	5,116
Intangible assets	10	21,667	31,667
Total Non-Current Assets		<u>50,418</u>	<u>93,044</u>
Total Assets		<u>629,882</u>	<u>607,415</u>
Current Liabilities			
Payables	11	20,952	18,229
Current tax liability	4	8,893	9,828
Provisions	12	38,046	40,507
Total Current Liabilities		<u>67,891</u>	<u>68,564</u>
Total Liabilities		<u>67,891</u>	<u>68,564</u>
Net Assets		<u>561,991</u>	<u>538,851</u>
Equity			
Share capital	13	518,507	518,507
Retained earnings	14	43,484	20,344
Total Equity		<u>561,991</u>	<u>538,851</u>

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		907,189	741,307
Cash payments in the course of operations		(811,697)	(655,229)
Interest received		24,096	26,480
Dividend received		257	123
Income tax paid		(28,501)	(47,059)
Net cash flows from/(used in) operating activities	15b	<u>91,344</u>	<u>65,622</u>
Cash Flows From Investing Activities			
Purchase of property plant and equipment		(12,887)	-
Purchase of investment		(257)	(123)
Net cash flows from/(used in) investing activities		<u>(13,144)</u>	<u>(123)</u>
Cash Flows From Financing Activities			
Dividends paid		(36,600)	(36,600)
Net cash flows from/(used in) financing activities		<u>(36,600)</u>	<u>(36,600)</u>
Net increase/(decrease) in cash held		41,600	28,899
Cash and cash equivalents at start of year		440,276	411,377
Cash and cash equivalents at end of year	15a	<u><u>481,876</u></u>	<u><u>440,276</u></u>

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Statement of Changes in Equity
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		518,507	518,507
Issue of share capital		-	-
		<hr/>	<hr/>
Balance at end of year		<u><u>518,507</u></u>	<u><u>518,507</u></u>
RETAINED EARNINGS			
Balance at start of year		20,344	(4,830)
Profit after income tax expense		59,740	61,774
Dividends paid	22	<u>(36,600)</u>	<u>(36,600)</u>
Balance at end of year		<u><u>43,484</u></u>	<u><u>20,344</u></u>

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Sandringham Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 9 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Investments

Investments in listed shares are recorded at cost.

Sandringham Community Financial Services Limited

ABN 86 099 131 192

**Notes to the Financial Statements
for the year ended 30 June 2010**

1. Basis of preparation of the Financial Report (continued)

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:

<u>Class of Asset</u>	<u>Depreciation Rate</u>
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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2010

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 reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Franchise fees 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 statement of cash flows, 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.

Loans and Borrowings

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.

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010	2009
	\$	\$
2. Revenue from ordinary activities		
Operating activities		
- services commissions	844,317	686,290
Non-operating activities:		
- interest received	24,096	26,603
Total revenue from ordinary activities	<u>868,413</u>	<u>712,893</u>
3. Expenses		
Employee expenses		
- wages and salaries	241,957	228,473
- superannuation costs	23,195	20,237
- workers' compensation costs	737	943
- other costs	10,602	22,598
	<u>276,491</u>	<u>272,251</u>
Depreciation of non-current assets:		
- plant and equipment	45,770	14,998
Amortisation of non-current assets:		
- intangibles	10,000	9,999
	<u>55,770</u>	<u>24,997</u>
Bad debts	4,204	2,157
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%	26,192	29,132
Add tax effect of:		
- Non deductible expenses	3,000	3,000
- Under/(Over)provision of tax in prior year	(1,626)	3,200
Current income tax expense	<u>27,566</u>	<u>35,332</u>
Income tax expense	<u>27,566</u>	<u>35,332</u>

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

4. Income Tax Expense (continued)	2010	2009
	\$	\$
Tax liabilities		
Current tax payable	<u>8,893</u>	<u>9,828</u>
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	<u>2,037</u>	<u>1,800</u>
	<u>5,937</u>	<u>5,450</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	471,126	429,526
Security deposit	<u>10,750</u>	<u>10,750</u>
	<u>481,876</u>	<u>440,276</u>
7. Receivables		
Trade debtors	<u>97,588</u>	<u>74,095</u>
8. Property, Plant and Equipment		
Property, plant and equipment	28,604	176,435
Less accumulated depreciation	<u>(5,226)</u>	<u>(120,174)</u>
	<u>23,378</u>	<u>56,261</u>
Movements in carrying amounts		
<i>Property, Plant and Equipment</i>		
Carrying amount at beginning of year	56,261	71,259
Additions	12,887	-
Disposals	-	-
Depreciation expense	<u>(45,770)</u>	<u>(14,998)</u>
Carrying amount at end of year	<u>23,378</u>	<u>56,261</u>
9. Investments		
Listed shares at cost	<u>5,373</u>	<u>5,116</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	<u>(28,333)</u>	<u>(18,333)</u>
	<u>21,667</u>	<u>31,667</u>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2010

11. Payables	2010	2009
	\$	\$
GST payable	102	2,501
Other creditors and accruals	20,850	15,728
	<u>20,952</u>	<u>18,229</u>
12. Provisions		
Employee benefits	<u>38,046</u>	<u>40,507</u>
13. Share Capital		
610,008 Ordinary Shares fully paid to 85 cents	518,507	518,507
	<u>518,507</u>	<u>518,507</u>
14. Retained Earnings		
Balance at the beginning of the financial year	20,344	(4,830)
Profit after income tax	59,740	61,774
Dividend paid	(36,600)	(36,600)
Balance at the end of the financial year	<u>43,484</u>	<u>20,344</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	<u>481,876</u>	<u>440,276</u>
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	59,740	61,774
Non cash items		
- Depreciation	45,770	14,998
- Amortisation	10,000	9,999
Changes in assets and liabilities		
- (Increase) decrease in receivables	(23,493)	(8,436)
- Increase (decrease) in payables	2,723	(10,831)
- Increase (decrease) in provisions	(2,461)	9,845
- Increase (decrease) in income tax payable	(935)	(11,727)
Net cashflows from/ (used in) operating activities	<u>91,344</u>	<u>65,622</u>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2010

16. Director and Related Party Disclosures

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

Graham Ludecke (appointed 24 August 2009)
Renate Lange (resigned 30 June 2010)
Terence Leo Earle
David Marshall
Campbell John Sinclair
Helen Worlidge (resigned 24 July 2009)
Frederick Stringer (resigned 16 November 2009)
Michael John Davies
Glenyss Airdrie Barnes
Ian Siebert (appointed 28 June 2010)

Directors shareholdings / fees	<u>Fees</u>		<u>Shareholding</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>		
Graham Ludecke (appointed 24 August 2009)	1,523	-	6,500	-
Renate Lange (resigned 30 June 2010)	1,800	1,800	5,701	5,701
Terence Leo Earle	1,800	1,800	4,001	4,001
David Marshall	1,800	1,800	2,000	2,000
Campbell John Sinclair	1,800	1,800	1,500	1,500
Helen Worlidge (resigned 24 July 2009)	150	1,800	501	501
Frederick Stringer (resigned 16 November 2009)	969	1,800	-	-
Michael John Davies	1,800	1,650	1,000	1,000
Glenyss Airdrie Barnes	1,800	1,650	3,000	3,000
Ian Siebert (appointed 28 June 2010)	-	-	-	-

With the exception of 6,500 share purchased by Graham Ludecke there was no movement in director shareholdings during the year.

Each share held has a paid up value of 85 cents (2009: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

17. Subsequent Events

An amount of \$170,000 has been expended on refurbishment of the Sandringham Branch in August 2010.

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

18. Contingent Liabilities

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

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.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2010

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 Victoria 3191

	2010	2009
	\$	\$
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	<u>59,740</u>	<u>61,774</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>610,008</u>	<u>610,008</u>
22. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
(i) Previous year final		
Franked dividends - 6 cents per share (2009: 6 cents per share)	36,600	36,600
	<u>36,600</u>	<u>36,600</u>
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year.	41,993	31,373
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	8,893	9,828
	<u>50,886</u>	<u>41,201</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2010

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.

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

	Carrying Amount	
	2010	2009
	\$	\$
Cash assets	481,876	440,276
Investments	5,373	5,116
Receivables	97,588	74,095
	<u>584,837</u>	<u>519,487</u>

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 (2009: 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.

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Notes to the Financial Statements
For the year ended 30 June 2010

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 2010					
Payables	20,952	(20,952)	(20,952)	-	-
	<u>20,952</u>	<u>(20,952)</u>	<u>(20,952)</u>	<u>-</u>	<u>-</u>
30 June 2009					
Payables	18,229	(18,229)	(18,229)	-	-
	<u>18,229</u>	<u>(18,229)</u>	<u>(18,229)</u>	<u>-</u>	<u>-</u>

(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:

	<u>Carrying Amount</u>	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	289,479	32,802
Financial liabilities	-	-
	<u>289,479</u>	<u>32,802</u>
Variable rate instruments		
Financial assets	192,397	407,474
Financial liabilities	-	-
	<u>192,397</u>	<u>407,474</u>

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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

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23. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position.

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

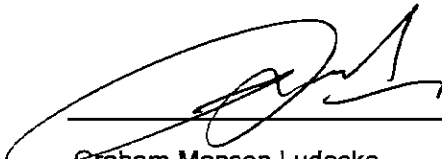
There were no changes in the Company's approach to capital management during the year.

Sandringham Community Financial Services Limited
ABN 86 099 131 192
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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (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 2010.



Graham Manson Ludecke

Signed at Sandringham, Victoria on 27 September 2010.

Richmond Sinnott & Delahunty

Chartered Accountants



27 September 2010

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 2010, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Sandringham Community Financial Services Limited, for the year ended 30 June 2010.

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.

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 2010 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



Philip Delahunty

Partner

Bendigo

Date: 27 September 2010