

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 2011.

Directors

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

Graham Manson Ludecke
Chair (appointed 1 July 2010)
Retired Banker

Glenyss Airdrie Barnes
Director
Management Consultant

Michael John Davies
Director & Treasurer
Company Director

Terence Leo Earle
Director (Resigned 30 June 2011)
Business proprietor

Glen Hay Kruger
Director (Appointed 28 February 2011)
Business Consultant

David Ashley Marshall
Director (resigned 27 September 2010)
Business proprietor

Helen Diana Searle
Director (Appointed 28 February 2011)
Company Director

Ian Richard Siebert
Director
Management Consultant

Campbell John Sinclair
Director
Company Director

Kim Visek-Johnson
Director (Appointed 28 February 2011, Resigned 8 August 2011)
Finance Superannuation 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.

Review of Operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$177,260 (2010: \$59,740).

On 9 March 2011 there was damage to the bank premises caused by the impact of a train. Banking services were suspended for a period of time and provided by nearby Community Banks. The Company does not expect this incident to have a material impact on financial performance.

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Dividends	Year Ended 30 June 2011	
	Cents Per Share	\$
Dividends paid in the year:	6	36,601

Significant Changes in the State of Affairs

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

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Likely Developments

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

Remuneration Report

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.

The Managers performance is reviewed annually by both Bendigo and Adelaide Bank Limited and the Board and his salary is reviewed in the light of his performance, management of the business and extended responsibilities on Board Committees. Directors fees are reviewed annually when the Board review is conducted.

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.

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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	Audit	Fees	
	Meetings #	Committee	2011	2010
		Meetings #	\$	\$
Graham Manson Ludecke (appointed 1 July 2010)	11(12)	6(6)	3,000	1,523
Glenyss Airdrie Barnes	12(12)	N/A	2,400	1,800
Michael John Davies	10(12)	5(6)	2,400	1,800
Terence Leo Earle (resigned 30 June 2011)	10(12)	2(6)	1,800	1,800
Glen Hay Kruger (appointed 28 February 2011)	5(5)	N/A	600	-
David Ashley Marshall (resigned 27 September 2010)	1(2)	N/A	450	1,800
Helen Diana Searle (appointed 28 February 2011)	5(5)	N/A	600	-
Ian Richard Siebert	12(12)	N/A	2,400	-
Campbell John Sinclair	10(12)	N/A	1,800	1,800
Kim Visek-Johnson (28 February 2011 - 8 August 2011)	2(5)	N/A	600	-

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

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 (Resigned 30 June 2011), 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.

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Directors' Report

Non Audit Services

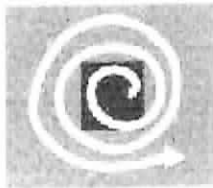
Details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 5 to the financial statements.

The directors have considered the non-audit services provided during the year by the auditor and are satisfied the provision of these services is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- (a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- (b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the auditors own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.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 2011, 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
19 September 2011

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on 19 September 2011.

Graham Manson Ludecke

Sandringham Community Financial Services Limited
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Statement of Comprehensive Income
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	935,223	868,413
Employee expenses	3	(311,797)	(276,491)
Charitable donations and sponsorship		(166,627)	(217,786)
Depreciation and amortisation expense	3	(29,397)	(55,770)
Other expenses		<u>(283,580)</u>	<u>(231,060)</u>
Profit before income tax expense		143,822	87,306
Income tax (expense) / benefit	4	<u>33,438</u>	<u>(27,566)</u>
Profit after income tax expense		177,260	59,740
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>177,260</u></u>	<u><u>59,740</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	21	29.06	9.79
- diluted for profit for the year	21	29.06	9.79

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 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	444,701	481,876
Receivables	7	107,217	97,588
Current tax refundable	4	15,190	-
Total Current Assets		<u>567,108</u>	<u>579,464</u>
Non-Current Assets			
Deferred tax asset	4	34,033	-
Property, plant and equipment	8	167,940	23,378
Investments	9	5,689	5,373
Intangible assets	10	11,667	21,667
Total Non-Current Assets		<u>219,329</u>	<u>50,418</u>
Total Assets		<u>786,437</u>	<u>629,882</u>
Current Liabilities			
Payables	11	46,368	20,952
Current tax liability	4	-	8,893
Provisions	12	37,419	38,046
Total Current Liabilities		<u>83,787</u>	<u>67,891</u>
Total Liabilities		<u>83,787</u>	<u>67,891</u>
Net Assets		<u>702,650</u>	<u>561,991</u>
Equity			
Share capital	13	518,507	518,507
Retained earnings	14	184,143	43,484
Total Equity		<u>702,650</u>	<u>561,991</u>

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
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Statement of Cash Flows
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,002,062	907,189
Cash payments in the course of operations		(835,121)	(811,697)
Interest received		21,122	24,096
Dividend received		316	257
Income tax paid		(24,678)	(28,501)
Net cash flows from/(used in) operating activities	15b	<u>163,701</u>	<u>91,344</u>
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(163,959)	(12,887)
Purchase of investment		(316)	(257)
Net cash flows from/(used in) investing activities		<u>(164,275)</u>	<u>(13,144)</u>
Cash Flows From Financing Activities			
Dividends paid		(36,601)	(36,600)
Net cash flows from/(used in) financing activities		<u>(36,601)</u>	<u>(36,600)</u>
Net increase/(decrease) in cash held		(37,175)	41,600
Cash and cash equivalents at start of year		481,876	440,276
Cash and cash equivalents at end of year	15a	<u>444,701</u>	<u>481,876</u>

The accompanying notes form part of these financial statements

Sandringham Community Financial Services Limited
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Statement of Changes in Equity
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		518,507	518,507
Issue of share capital		-	-
		<u>518,507</u>	<u>518,507</u>
Balance at end of year		<u>518,507</u>	<u>518,507</u>
RETAINED EARNINGS			
Balance at start of year		43,484	20,344
Profit after income tax expense		177,260	59,740
Dividends paid	22	<u>(36,601)</u>	<u>(36,600)</u>
Balance at end of year		<u>184,143</u>	<u>43,484</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 2011

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 2011 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 19 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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

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**Notes to the Financial Statements
for the year ended 30 June 2011**

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.

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.

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

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

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.

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.

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.

Comparative Figures

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

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2011**

2. Revenue from continuing operations	2011	2010
	\$	\$
Operating activities		
- services commissions	913,785	844,317
Non-operating activities:		
- interest received	21,438	24,096
	<u>935,223</u>	<u>868,413</u>
 3. Expenses		
Employee expenses		
- wages and salaries	273,209	241,957
- superannuation costs	25,122	23,195
- workers' compensation costs	894	737
- other costs	12,572	10,602
	<u>311,797</u>	<u>276,491</u>
Depreciation of non-current assets:		
- plant and equipment	19,397	45,770
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	<u>29,397</u>	<u>55,770</u>
Bad debts	358	4,204
 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%	43,147	26,192
Add tax effect of:		
- Non deductible expenses	3,000	3,000
- Under/(over)provision of tax in prior year	595	(1,626)
Investment Allowance	(80,180)	-
<i>Current income tax expense / (benefit)</i>	<u>(33,438)</u>	<u>27,566</u>
Income tax expense / (benefit)	<u>(33,438)</u>	<u>27,566</u>
 Deferred tax assets & liabilities		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.		
	<u>34,033</u>	<u>-</u>

Sandringham Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2011

4. Income Tax Expense (continued)	2011	2010
	\$	\$
Tax liabilities		
Current tax payable/(refundable)	<u>(15,190)</u>	<u>8,893</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	3,600	3,900
- Share registry services	<u>3,560</u>	<u>2,037</u>
	<u>7,160</u>	<u>5,937</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	433,951	471,126
Security deposit	<u>10,750</u>	<u>10,750</u>
	<u>444,701</u>	<u>481,876</u>
7. Receivables		
Trade debtors and other accruals	<u>107,217</u>	<u>97,588</u>
8. Property, Plant and Equipment		
Property, plant and equipment	192,563	28,604
Less accumulated depreciation	<u>(24,623)</u>	<u>(5,226)</u>
	<u>167,940</u>	<u>23,378</u>
Movements in carrying amounts		
<i>Property, Plant and Equipment</i>		
Carrying amount at beginning of year	23,378	56,261
Additions	163,959	12,887
Disposals	-	-
Depreciation expense	<u>(19,397)</u>	<u>(45,770)</u>
Carrying amount at end of year	<u>167,940</u>	<u>23,378</u>
9. Investments		
Listed shares at cost	<u>5,689</u>	<u>5,373</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	<u>(38,333)</u>	<u>(28,333)</u>
	<u>11,667</u>	<u>21,667</u>

Sandringham Community Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2011**

11. Payables	2011	2010
	\$	\$
GST payable	8,715	102
Other creditors and accruals	37,653	20,850
	<u>46,368</u>	<u>20,952</u>
12. Provisions		
Employee benefits	<u>37,419</u>	<u>38,046</u>
Movement in employee benefits		
Opening balance	38,046	40,507
Additional provisions recognised	21,183	3,207
Amounts utilised during the year	(21,810)	(5,668)
Closing balance	<u>37,419</u>	<u>38,046</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	43,484	20,344
Profit after income tax	177,260	59,740
Dividend paid	(36,601)	(36,600)
Balance at the end of the financial year	<u>184,143</u>	<u>43,484</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	<u>444,701</u>	<u>481,876</u>
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	177,260	59,740
Non cash items		
- Depreciation	19,397	45,770
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(9,629)	(23,493)
- (Increase) decrease in deferred tax assets	(34,033)	-
- Increase (decrease) in payables	25,416	2,723
- Increase (decrease) in provisions	(627)	(2,461)
- Increase (decrease) in income tax payable / refundable	(24,083)	(935)
Net cashflows from/ (used in) operating activities	<u>163,701</u>	<u>91,344</u>

Sandringham Community Financial Services Limited
ABN 86 099 131 192
Notes to the Financial Statements
for the year ended 30 June 2011

16. Director and Related Party Disclosures

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

Graham Manson Ludecke (appointed 1 July 2010)
 Glenyss Airdrie Barnes
 Michael John Davies
 Terence Leo Earle (resigned 30 June 2011)
 Glen Hay Kruger (appointed 28 February 2011)
 David Ashley Marshall (resigned 27 September 2010)
 Helen Diana Searle (appointed 28 February 2011)
 Ian Richard Siebert
 Campbell John Sinclair
 Kim Visek-Johnson (28 February 2011 - 8 August 2011)

Directors shareholdings / fees	<u>Fees</u>		<u>Shareholding</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$		
Graham Manson Ludecke (appointed 1 July 2010)	3,000	1,523	6,500	6,500
Glenyss Airdrie Barnes	2,400	1,800	3,000	3,000
Michael John Davies	2,400	1,800	1,000	1,000
Terence Leo Earle (resigned 30 June 2011)	1,800	1,800	4,001	4,001
Glen Hay Kruger (appointed 28 February 2011)	600	-	-	-
David Ashley Marshall (resigned 27 September 2010)	450	1,800	2,000	2,000
Helen Diana Searle (appointed 28 February 2011)	600	-	-	-
Ian Richard Siebert	2,400	-	-	-
Campbell John Sinclair	1,800	1,800	1,500	1,500
Kim Visek-Johnson (28 February 2011 - 8 August 2011)	600	-	-	-

There was no movement in director shareholdings during the year.

Each share held has a paid up value of 85 cents (2010: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

17. Subsequent Events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent Liabilities and Assets

The Company is pursuing a claim for compensation in the order of \$20,000 against Metro Trains for interruption to its business services and associated costs following damage to its premises in March 2011.

There were no other contingent liabilities or assets 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 2011

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

	2011 \$	2010 \$
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>177,260</u>	<u>59,740</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 (2010: 6 cents per share)	36,601	36,600
	<u>36,601</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.	53,947	41,993
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(15,190)	8,893
	<u>38,757</u>	<u>50,886</u>

The tax rate at which dividends have been franked is 30% (2010: 30%).

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Notes to the Financial Statements
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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	
	2011	2010
	\$	\$
Cash assets	444,701	481,876
Investments	5,689	5,373
Receivables	107,217	97,588
	<u>557,607</u>	<u>584,837</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 (2010: 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
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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 2011					
Payables	46,368	(46,368)	(46,368)	-	-
	<u>46,368</u>	<u>(46,368)</u>	<u>(46,368)</u>	<u>-</u>	<u>-</u>
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>

(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	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	401,219	289,479
Financial liabilities	-	-
	<u>401,219</u>	<u>289,479</u>
Variable rate instruments		
Financial assets	43,482	192,397
Financial liabilities	-	-
	<u>43,482</u>	<u>192,397</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 2010 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 2011 can be seen in the Statement of Comprehensive Income.

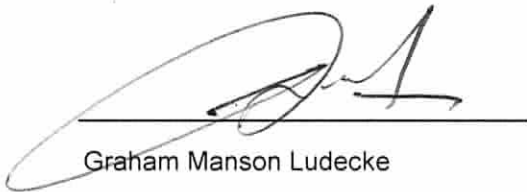
There were no changes in the Company's approach to capital management during the year.

Sandringham Community Financial Services Limited
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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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 2011.



Graham Manson Ludecke

Signed at Sandringham, Victoria on 19 September 2011.