Annual Report 2014

Sunshine Coast Community Financial Services Limited

ABN 12 100 576 261

Cooroy **Community Bank®** Branch
Marcoola **Community Bank®** Branch
Tewantin **Community Bank®** Branch

Contents

Chairman's report	**2**
Cooroy Manager's report	**7**
Marcoola Manager's report	**8**
Tewantin Manager's report	**9**
Directors' report	**10**
Auditor's independence declaration	**14**
Financial statements	**15**
Notes to the financial statements	**19**
Directors' declaration	**40**
Independent audit report	**41**
NSX report	**43**

Chairman's report

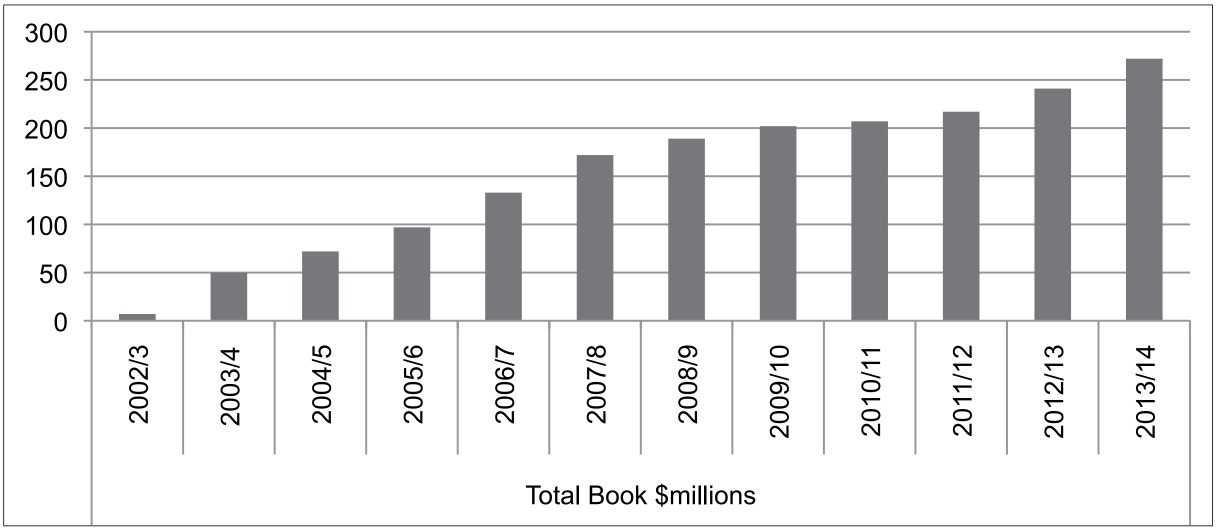
For year ending 30 June 2014

Our vision

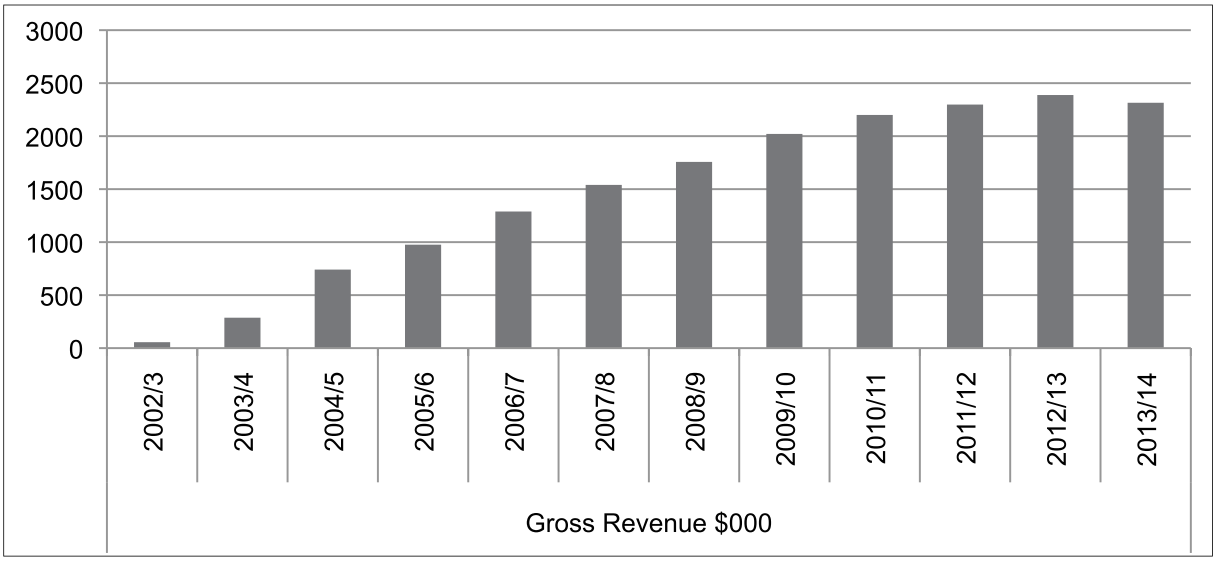
To be the best customer connected local bank providing profitable competitive services which deliver shareholder value and an ever increasing funding source to contribute to empowerment of our local communities.

Year ending 30 June 2014

It is very pleasing to report a solid growth in our business activity. Our book (essentially the sum of our loans and deposits) grew by $31 million or 13%. This was the highest recorded increase in business in the last six years. The following chart shows the revenue growth since start up.



Reduced margins however, adversely impacted our revenue in a trend which began the previous year. There are two major contributing factors. Firstly there was a second wave of "restoring the balance" which more closely re-aligned all **Community Bank**® branch margin incomes to the intended 50/50 split with Bendigo and Adelaide Bank. This negative revenue impact was very substantial in the 2013/14 financial year. Secondly bank margins have been progressively eroded under the low interest regime currently being experienced.



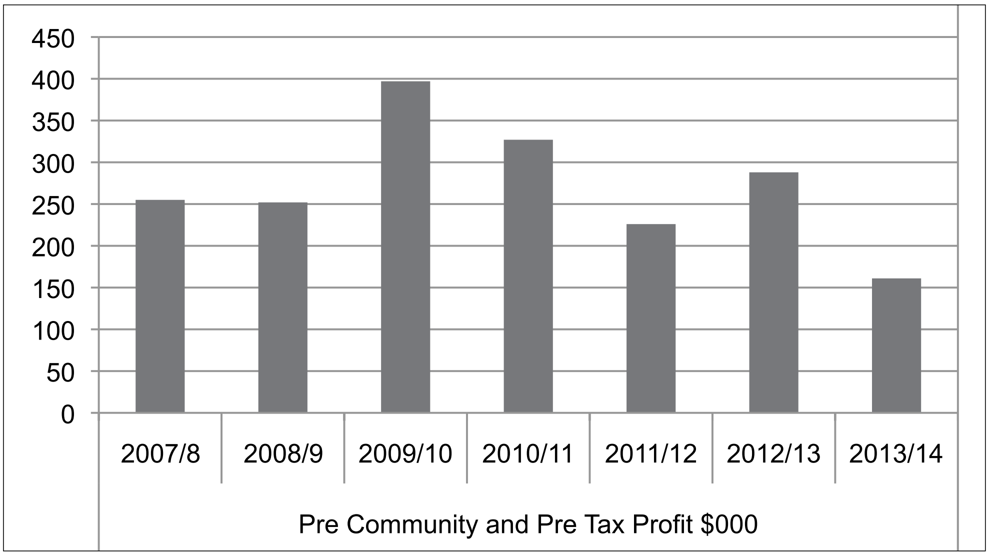
Pre community and pre tax profit

Profit before Tax was $160,960. See chart below. This is a more than satisfactory result given the financial impact of reduced margins. The company has now delivered its seventh profit year in a row, not only through the difficult years of the GFC, but also through a period of less than buoyant local economic conditions.

Profit history							
	2013/14 $	**2012/13 $**	**2011/12 $**	**2010/11 $**	**2009/10 $**	**2008/9 $**	**2007/8 $**
Profit before tax	160,960	288,234	237,923	326,876	396,541	251,811	254,749
Profit after tax	110,863	199,904	163,186	224,514	279,029	169,294	171,583
Earnings per share	6.51 cents	11.72 cents	9.57 cents	13.17 cents	16.38 cents	9.93 cents	10.07 cents

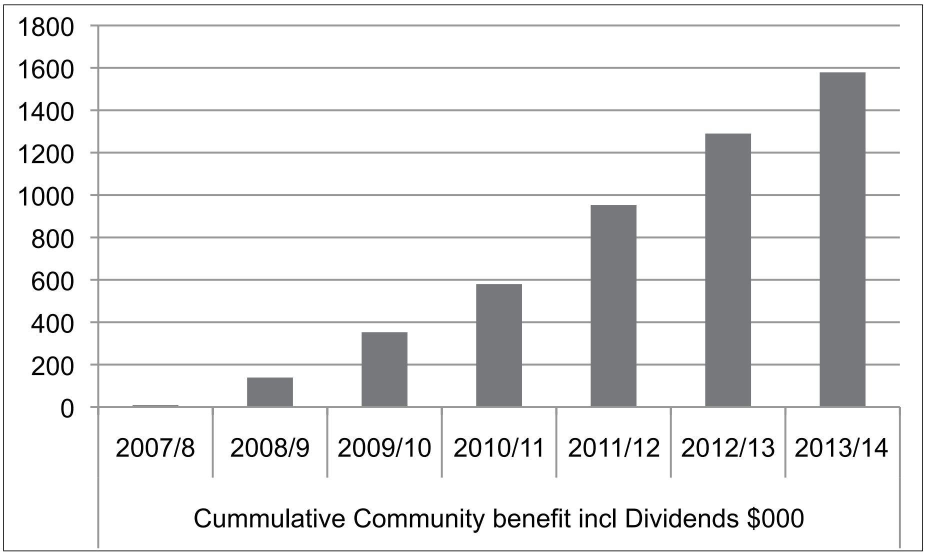
The impact of these reduced margins in the last four years can be plainly seen in the chart below. The company has implemented tight controls on expense levels and these policies have lessened the impact that these lower margins have had on our bottom line.

We are quietly confident however that a revenue and therefore profit can be improved in the year ahead.



Cumulative community benefit including shareholder dividends

The chart below shows our Cumulative Community Benefit to be nearly $1.580 million. It really shows what a difference a **Community Bank**® branch can make in providing local financial support.



Number of customers

As at 30 June, the company was proud to serve a base of 10,836 customers. This total indicated just how much support our branches enjoy. Increasing the number of customers is not our only growth strategy as we continually strive to increase the number of products for each customer as well.

Our Cooroy property

The Board is delighted to advise that the company is currently in negotiations to purchase our existing premises. If these negotiations are successful, this will mean we will not be subject to the vagaries of the commercial rental market, and we can be secure in our primary position for as long as we so desire. More importantly the balance sheet of the company will be enhanced with a brick and mortar real estate asset and it is expected that there will be the added bonus of bottom line benefit with interest payments on our loan being lower than the existing lease payments.

New Director

The Board welcomes Elizabeth Reynolds LLB. She is a retired Barrister and Solicitor, qualified and practiced in commercial and corporate law in New Zealand, London and Australia.

She is the founding partner of LAWTEL, Australia’s first nationwide legal advice referral service.

Elizabeth moved to Eumundi more than 10 years ago with her husband. They purchased two large properties which they have turned into successful tourist destinations specialising in hopelessly romantic boutique events and weddings.

Elizabeth has been closely involved in developing Eumundi and surrounding areas as a tourist and event destination, for example, as a lawyer for Eumundi Markets, working with Sunshine Coast Council on joint venture Eumundi projects and running charitable community events.

Chairman's report (continued)

She is also passionate about writing in all its forms and was a member of the steering committee that saved the Premier's Literary Awards in Queensland. She now sits as a permanent member of the Queensland Literary Awards Board.

Elizabeth is delighted to be able to offer to the Board such skills that come with her background in law. She is also a Director of Tourism Noosa.

Bigger than a bank

Shareholders may have more recently noticed a massive TV campaign promoting Bendigo and Adelaide Bank as being **Bigger than a bank**. This rebranding process seeks to reposition us a serious full service Bank as well us being recognised as the Bank which genuinely supports its community. All ready we are seeing a substantial increase in business in the first quarter of the new financial year indicating initial success of the campaign When combined with local community support and our own local marketing activities, we are hoping for even more growth success in the future.

Pomona

The only bank in the township has been ANZ. It has just announced to customers that is will be closing its doors at the end of October this year. Our **Community Bank**® branch in Cooroy has been reasonably active in the Pomona area generating a small book of some $8 million over the last 12 years. We have very high credibility in the town having rescued the King of the Mountain festival some three years ago. Together with the local community, the Board is evaluating options as to whether a local banking service for the community is viable.

General

Our three branches achieved 2nd, 3rd, and 4th placing in the region 'Branch of the Year Awards'. This is a great credit to our Managers and their staff and on behalf of the Board I offer my thanks for all their hard work and loyalty in growing the business over the last 12 months.

We are planning to continue our partnership with the Sunshine Coast Council in regard to specific projects. It is hoped that a similar relationship can be achieved with the newly formed Noosa Council as well. It is worth noting that funds have been already allocated in anticipation of a major partnership project announcement in the near future.

Our Community Connections and Marketing Manager, Ian Williams continues to keep our PR, media, sponsorship and community connections high in local awareness. Our exposure in the press is a great credit to his effort, patience, effectiveness and professionalism. Thank you Ian, for a job well done.

Our Social Media Co-ordinator, Danielle Taylor is achieving spectacular results in the growth of our Facebook page likes, our new website visits, and our new email newsletters. Thanks to you too, Danielle.

There are now three local high school students who have been the beneficiaries of our Scholarship program. These high school graduates each receive a $10,000 support package over a two-year period to enable them to attend university We are proudly part of this bank-wide scholarship program which now has 260 secondary school student graduates attending university in one of the country's largest privately funded scholarship programs.

We have continued to be very active in our Community Sponsorship Programs through the year. Our rescue package for the Noosa Long Weekend Festival gained substantial community credibility. There are far too many wonderful stories about all our community sponsorships to describe here but needless to say we are really proud to be involved in an organisation which does make such a significant difference within in our communities.

Chairman's report (continued)

I would like to offer my personal thanks to our amazing volunteer Board Directors who, together with their subcommittee responsibilities, continue to donate their time expertise and energy so generously and unselfishly.

Additionally, I would like to thank our Noosa District High School student Board observers Penny Fisher, Daniel Epps and Stewart Hafey for their attendance and contribution. It is great opportunity for young people to observe and participate in the Board meetings of a publicly listed company, and we wish them every success in the chosen careers.

I would like to thank our Regional Manager, Rob Chittick and his staff for their support during the year. Our thanks go to the myriad of other Bendigo and Adelaide Bank corporate staff who have also assisted and advised throughout the year.

Finally, to the local press who have been wonderful in their ongoing support for our **Community Bank**® model, I give my thanks. In closing, and most importantly to you, our shareholders and customers, thank you sincerely for your ongoing support as well.

Rick Cooper

Rick Cooper
Chairman

Cooroy Manager's report

For year ending 30 June 2014

Another year behind us, and I am proud to say a very successful year for the Cooroy **Community Bank**® Branch.

Our branch continued to grow and we achieved a milestone, reaching over $100 million of sustainable and profitable footings to 30 June 2014. Noticeably, lending growth was the main force behind the increase with the branch achieving settlements of nigh on $15 million, and as a result being the leading branch in the whole Sunshine Coast region.

Regrettably a significant reduction in existing loans occurred in the first six months of the year, due to an emphasis by customers to sell down property and reduce debt. This momentum has now eased considerably and we are very positive that the 2014/15 year will again see strong/solid continued growth. This great result is testament to the staff who continued to provide excellent service to our customers over the year and I must congratulate each and every one of them for their efforts.

We experienced the loss of our Customer Relationship Officer (CRO) Hayley Saunders who contributed very strongly to the branch's results, only to be justifiably promoted to Manager of her own branch at Nambour. This saw the introduction of Pam Hoens as our new CRO and Pam has brought with her a wealth of experience and knowledge to the role. She has settled into the role quite easily, bringing her own unique style which has been warmly received by our customers.

A warm thank you to Karl Doss who has stepped up and has taken on the senior CSO role and is destined for even more senior roles in the not too distant future. Thank you too, to Mark Gielis who has come on board this year as our other full time CSO and has brought his own wonderfully positive and affable style to the role. Finally, to our part time team of Barbara Schilds and Helen Whitby, who we rely on to cover the gaps. In all honesty, I could not ask for a better mix of people who really make my job that ever so much easier and are the real drive behind the Cooroy **Community Bank**® Branch's success.

It also goes without saying that it is very much acknowledged and appreciated for the sacrifices they make of their own family time on weekends and after hours week days to support community events and charities that this branch proudly supports.

My thanks also go to the tireless efforts of our SCCFSL Board of Directors who volunteer their time to give guidance and support to the branch along with being great advocates of the **Community Bank**® model.

Lastly, thanks to Ian Williams, our Community Connection and Marketing Manager and Danielle Taylor, our Social Media and Marketing Co-ordinator for their collective ongoing and tireless efforts in the promotion of our unique banking model and getting our message out there.

The year ahead is filled with confidence, in and around the Cooroy district, and I know that the Cooroy **Community Bank**® Branch is even keener to continue delivering its promises of giving back to the community. It is both rewarding and a pleasure to be party to a bank that gives it all to the service of its customers and the community as a whole.

Our community projects and sponsorships are such an integral part of what we do. The groups we support are now too numerous to be individually mentioned however I want to thank them all for the opportunity to be apart of their event or project.

I look forward to the many successful years ahead.

G Edwards

Geoff Edwards
Manager, Cooroy Community Bank® Branch

Marcoola Manager's report

For year ending 30 June 2014

The past financial year Marcoola **Community Bank**® Branch celebrated its 10th birthday, and we celebrated in style. On 4 April, many of our sponsored community organisations and partners, SCCFSL Board members, and Bendigo and Adelaide Bank staff from around the region helped us celebrate our proud milestone.

Our celebration commemorated the commitment and hard work of a small group of business people wanting to have banking facilities in the Marcoola shopping strip. It was great to acknowledge those people and celebrate the fact that same **Community Bank**® branch has now contributed more than $450,000 to that same community. It is truly a wonderful story and one we are proud to continue building on as we also celebrated our most successful financial year since inception.

Our success is built on the fact we do business and remain connected and relevant to our North Shore community. Our Marcoola **Community Bank**® Branch staff are experienced, they go the extra mile to provide excellent customer service and I believe we provide excellent products and services directly at a local level.

The success of the year saw our overall business held under management exceed $91 million and the number of customers doing business with us grew by just over 11%. We met all areas of the budget set by the Board except for two areas and the team will strive to ensure next year those items will be met next year.

The successful year continued when as we were able to return the income generated from our growth to our community in an array of community events and partnerships. Some of the partnerships the Marcoola **Community Bank**® Branch supported were:

> The Coolum Australia Day Parade, Marcoola Surf Life Saving Club, Coolum Theatre Players, Cool Harmonies, Northshore Community Centre Christmas Event, Mudjimba Boardriders Association, Mudjimba Community Kindergarten and many more in fact over 20 sponsorships and partnership assistance was entered into.

I continue to be supported by an amazing group of people including the SCCFSL Board and its Chairman, Rick Cooper. In particular, a warm thank you to my local Board members, Jay Pashley and Debbie Johnson for working for the greater good of our Marcoola **Community Bank**® Branch for no remuneration.

To Ian Williams, our Community Connection and Marketing Manager and Danielle Taylor Social Media Manager, thank you for you many, many hours of work contributing to supporting not only this branch but all the community groups we work with. Not forgetting my team of Carmen, Julie, Stephen and our newest member Jane, all of whom work day in and day out to ensure our customers receive the best outcomes each and every time they drop into the branch, call or email.

To our shareholders and customers the very biggest thanks of all for continuing to support and do business with your Marcoola **Community Bank**® Branch and I very much look forward to another successful year of being relevant and committed to our customers and community.

Best wishes,

JBlackall

Judy Blackall
Manager, Marcoola Community Bank® Branch

Tewantin Manager's report

For year ending 30 June 2014

Another year has come and gone and our Tewantin **Community Bank**® Branch continues to go from strength to strength.

The 2013/14 financial year has been another successful year with our book growing by over $5 million which has taken our total footings to $78.8 million. We have increased our number of accounts to 3,632 after opening almost 600 for the year. Overall a good solid result.

The Tewantin **Community Bank**® Branch may be the smallest in terms of floor space, but not in business terms and our ability to service our customers. We are the leading branch in the Region for the number of transactions processed and we consistently exceed the benchmarks set to us by the Bendigo and Adelaide Bank. We are yet to hear the result of the Region's 'Branch of the Year' competition, but we remain hopeful of being highly placed again this year. I will let you know the result at the Annual General Meeting.

We pride ourselves on our exceptional and friendly service and this is due to our dedicated and diverse team of individuals who always strive to do their best and make banking an enjoyable and pleasing experience for our customers.

Our current team is Simone Flavelle, Kerri Wright, Sarah Vogler, Ben Baker and Helen Whitby – and I would to thank them for their hard work and commitment. We also have visiting specialists, Peter Bourke (Financial Advisor) and Paul Hampson (Business Banking).

The Tewantin **Community Bank**® Branch continues its great work in the community. We have long term sponsorships in place with the local State Schools, many sporting bodies, Noosa Cooloola Life Education Van and Noosa Coastguard to name just a few. We also partner with our Rotary colleagues in a number of projects - East Timor shoe box programme (in conjunction with three State Schools), Rotary Youth Driver Awareness and Rotary Bookfest.

I am looking forward to the year ahead as we continue to build on the solid foundation that we have here in Tewantin. I would like to thank our shareholders and our customers for their continued support as they not only choose to bank with us but also act as our advocates in their daily dealings by recommending our **Community Bank**® branch. The best compliment that you can give us is a referral to your family, friends and business associates.

Remember – bank with us and everyone benefits.

Wayne Hoens
Manager, Tewantin Community Bank® Branch

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Sunshine Coast Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Frederick Charles Broomhall Appointed May 2002 Director	B. Com.	Property Investor
Leonard Harold Daddow Appointed May 2002 Director		Principal of Automobile Dealership
Peter William Billinghurst Appointed May 2002 Director	B. Bus. CA	Chartered Accountant
Rick Cooper Appointed November 2006 Director		Retired. Founding president of the Tewantin Community Association. Former Principal of Elders Real Estate Tewantin.
Jay Pashley Appointed February 2004 Director		Principal of North Shore Realty
Debra Johnson Appointed November 2008 Director		Principal of Suncoast Green
Elizabeth Reynolds Appointed July 2014 Director		Retired Solicitor. Small business owner and operator.

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $110,862 (2013 profit: $199,904), which is a 44.5% decrease as compared with the previous year.

The net assets of the company have decreased to $1,206,841 (2013: $1,234,874). The decrease is largely due to the reduction in gross margin income.

	Year ended 30 June 2014	
	Cents per share	$
Dividends paid in the year (interim /or final) dividend:	8.15	138,895

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

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 Director, a firm which a Director is a member or an entity in which a Director has a substantial 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.

Indemnifying Officers or Auditor

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.

Directors' report (continued)

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee meetings #
Frederick Charles Broomhall	11 (11)	N/A
Leonard Harold Daddow	10 (11)	N/A
Peter William Billinghurst	8 (11)	2 (2)
Rick Cooper	11 (11)	2 (2)
Jay Pashley	11 (11)	N/A
Debra Johnson	10 (11)	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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Peter Billinghurst has been the Company Secretary of Sunshine Coast Community Financial Services Limited since 2004.

His qualifications and experience include being a chartered accountant who has worked in the accounting industry for approximately 30 years.

Non audit services

The Board of Directors, in accordance with advice from the audit committee , are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and

Directors' report (continued)

Non audit services (continued)

- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 14 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Cooroy on 24 October 2014.

Peter Billinghurst
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants
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Bendigo, VICTORIA
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Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

24 October 2014

The Directors
Sunshine Coast Community Financial Services Limited
PO Box 815
COOROY QLD 4563

Dear Directors,

To the Directors of Sunshine Coast Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	2,315,686	2,388,664
Employee benefits expense	3	(1,195,320)	(1,133,748)
Depreciation and amortisation expense	3	(90,459)	(96,328)
Finance costs	3	(3,996)	(4,728)
Bad and doubtful debts expense		(5,683)	(1,751)
Rental expense		(174,969)	(172,255)
Other expenses	3	(524,934)	(493,731)
Operating profit before charitable donations & sponsorships		**320,325**	**486,123**
Charitable donations and sponsorships		(159,365)	(197,889)
Profit before income tax expense		**160,960**	**288,234**
Tax expense	4	(50,098)	(88,330)
Profit for the year		**110,862**	**199,904**
Other comprehensive income		-	-
Total comprehensive income		**110,862**	**199,904**
Profit attributable to members of the company		110,862	199,904
Total comprehensive income attributable to members of the company		**110,862**	**199,904**
Earnings per share (cents per share)			
- basic for profit for the year	24	6.51	11.73

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	247,975	241,850
Trade and other receivables	7	253,484	204,184
Investments and other financial assets	8	432,983	424,801
Total current assets		**934,442**	**870,835**
Non-current assets			
Property, plant and equipment	9	341,991	380,281
Deferred tax asset	14	39,678	39,678
Intangible assets	10	98,654	139,739
Total non-current assets		**480,323**	**559,698**
Total assets		**1,414,765**	**1,430,533**
Liabilities			
Current liabilities			
Trade and other payables	11	176,213	141,107
Current tax payable	14	6	6,477
Loans and borrowings	12	7,118	16,939
Total current liabilities		**183,337**	**164,523**
Non current liabilities			
Loans and borrowings	12	24,587	31,136
Total non current liabilities		**24,587**	**31,136**
Total liabilities		**207,924**	**195,659**
Net assets		**1,206,841**	**1,234,874**
Equity			
Issued capital	15	1,623,067	1,623,067
Accumulated losses	16	(416,226)	(388,193)
Total equity		**1,206,841**	**1,234,874**

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2012		**1,623,067**	**(434,716)**	**1,188,351**
Total comprehensive income for the year		-	199,904	199,904
Transactions with owners, in their capacity as owners				
Dividends paid or provided	25	-	(153,381)	(153,381)
Balance at 30 June 2013		**1,623,067**	**(388,193)**	**1,234,874**
Balance at 1 July 2013		**1,623,067**	**(388,193)**	**1,234,874**
Total comprehensive income for the year		-	110,862	110,862
Transactions with owners, in their capacity as owners				
Dividends paid or provided	25	-	(138,895)	(138,895)
Balance at 30 June 2014		**1,623,067**	**(416,226)**	**1,206,841**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,464,598	2,550,708
Payments to suppliers and employees		(2,243,558)	(2,206,597)
Interest paid		(3,996)	(4,728)
Interest received		20,181	25,863
Income tax paid		(56,569)	(93,785)
Net cash provided by operating activities	**17**	**180,656**	**271,461**
Cash flows from investing activities			
Purchase of intangible assets		-	(138,442)
Purchase of investments		(8,182)	(195,247)
Purchase of property, plant & equipment		(11,084)	(1,807)
Net cash flows used in investing activities		**(19,266)**	**(335,496)**
Cash flows from financing activities			
Repayment of borrowings		(16,370)	(12,212)
Dividends paid		(138,895)	(153,381)
Net cash used in financing activities		**(155,265)**	**(165,593)**
Net increase/(decrease) in cash held		**6,125**	**(229,628)**
Cash and cash equivalents at beginning of financial year		241,850	471,478
Cash and cash equivalents at end of financial year	**6**	**247,975**	**241,850**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Sunshine Coast Community Financial Services Limited.

Sunshine Coast Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 October 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Cooroy, Marcoola and Tewantin.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Plant & equipment	3.75 - 30%
Motor vehicle	19%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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.

(k) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(m) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Note 1. Summary of significant accounting policies (continued)

(n) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) Loans and borrowings

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

(q) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(r) 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.

Note 1. Summary of significant accounting policies (continued)

(s) Comparative figures

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

(t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(u) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2014 $	2013 $
Note 2. Revenue and other income		
Revenue		
- services commissions	2,263,421	2,331,968
	2,263,421	**2,331,968**
Other revenue		
- interest received	20,181	25,863
- other revenue	32,084	30,833
	52,265	**56,696**
Total revenue	**2,315,686**	**2,388,664**

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	1,050,618	994,736
- superannuation costs	91,182	85,445
- payroll tax	46,644	45,247
- worker's compensation costs	6,876	8,320
	1,195,320	**1,133,748**
Depreciation of non-current assets:		
- plant and equipment	49,374	57,495
Amortisation of non-current assets:		
- intangible assets	41,085	38,833
	90,459	**96,328**
Finance costs:		
- Interest paid	3,996	4,728
Other expenses		
- accountancy	13,500	12,018
- advertising and promotion	32,089	44,498
- cleaning and waste disposal	27,580	27,526
- consultant fees	34,340	-
- electricity	17,596	9,871
- IT equipment lease	43,724	45,484
- IT running costs	27,981	27,892
- IT support costs	34,747	33,631

	2014 $	2013 $
Note 3. Expenses (continued)		
Other expenses (continued)		
- insurance	29,070	31,422
- printing and stationery	51,459	53,675
- other	212,848	207,714
	524,934	**493,731**

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	50,098	88,330
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	50,098	**88,330**
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	48,288	86,470
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Non-deductible expenses	1,810	1,860
Current income tax expense	**50,098**	**88,330**
Income tax attributable to the entity	**50,098**	**88,330**
The applicable weighted average effective tax rate is	31.12%	30.65%

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

	2014 $	2013 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,750	4,928
- Share registry services	5,802	3,404
	10,552	**8,332**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	178,104	174,486
Short-term bank deposits	69,871	67,364
	247,975	**241,850**

The effective interest rate on short-term bank deposits was 3.4% (2013: 4.5%); these deposits have an average maturity of 90 days.

Note 7. Trade and other receivables

Current

Trade debtors	245,536	197,157
Other assets	7,948	7,027
	253,484	**204,184**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	245,536	-	-	-	-	245,536
Total	**245,536**	**-**	**-**	**-**	**-**	**245,536**
2013						
Trade receivables	197,157	-	-	-	-	197,157
Total	**197,157**	**-**	**-**	**-**	**-**	**197,157**

	2014 $	2013 $

Note 8. Investments and other financial assets

Australian term deposits > 3 months	**432,983**	**424,801**

The effective interest rate on short-term bank deposits was 3.55% (2013: 4.7%); these deposits have an average maturity of 274 days.

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	812,211	801,127
Less accumulated depreciation	(507,093)	(466,228)
	305,118	**334,899**
Plant and equipment		
At cost	75,055	75,055
Less accumulated depreciation	(38,182)	(29,673)
	36,873	**45,382**
Total written down amount	**341,991**	**380,281**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	334,899	380,114
Additions	11,084	1,807
Disposals	-	-
Depreciation expense	(40,865)	(47,022)
Balance at the end of the reporting period	**305,118**	**334,899**
Motor vehicle		
Balance at the beginning of the reporting period	45,382	55,855
Additions	-	-
Disposals	-	-
Depreciation expense	(8,509)	(10,473)
Balance at the end of the reporting period	**36,873**	**45,382**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	456,213	456,213
Less accumulated amortisation	(357,559)	(316,474)
	98,654	**139,739**

	2014 $	2013 $

Note 10. Intangible assets (continued)

Movements in carrying amounts

	2014 $	2013 $
Franchise fee		
Balance at the beginning of the reporting period	139,739	40,130
Additions	-	138,442
Disposals	-	-
Amortisation expense	(41,085)	(38,833)
Balance at the end of the reporting period	**98,654**	**139,739**

Note 11. Trade and other payables

Current

	2014 $	2013 $
Unsecured liabilities:		
Trade creditors	157,401	129,525
Other creditors and accruals	10,156	3,100
GST payable	8,656	8,482
	176,213	**141,107**

Note 12. Borrowings

	2014 $	2013 $
Chattel Mortgage - Current	7,118	16,939
Chattel Mortgage - Non-current	24,587	31,136
	31,705	**48,075**

Note 13. Provisions

All staff are employees of Bendigo and Adelaide Bank Limited, except for one staff member who had nil annual leave owing at year end.

Note 14. Taxation

(a) Tax assets

	2014 $	2013 $
Non-current		
- Deferred tax asset comprises:		
carried forward capital losses	**39,678**	**39,678**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 14. Taxation (continued)

(b) Tax liabilities

Current		
- **Income tax payable**	**6**	**6,477**

Note 15. Share capital

1,672,988 Ordinary shares fully paid of $1 each	1,672,988	1,672,988
plus 31,250 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(49,921)	(49,921)
	1,623,067	**1,623,067**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,704,238	1,704,238
Shares issued during the year	-	-
At the end of the reporting period	**1,704,238**	**1,704,238**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2014 $	2013 $

Note 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the reporting period	(388,193)	(434,716)
Profit after income tax	110,862	199,904
Dividend Paid	(138,895)	(153,381)
Balance at the end of the reporting period	**(416,226)**	**(388,193)**

Note 17. Statement of cash flows

Reconciliation of profit after tax to net cash provided from/(used in) operating activities

	2014 $	2013 $
Profit after income tax	110,862	199,904
Non cash items		
- Depreciation	49,374	57,495
- Amortisation	41,085	38,833
Changes in assets and liabilities		
- (Increase) decrease in receivables	(49,300)	(3,305)
- Increase (decrease) in income tax payable	(6,471)	(5,455)
- Increase (decrease) in payables	35,106	(16,011)
Net cash flows from operating activities	**180,656**	**271,461**

Note 18. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
Payable - minimum lease payments		
- no later than 12 months	162,934	145,214
- between 12 months and 5 years	501,741	591,596
- greater than 5 years	-	-
	664,675	**736,810**

The property leases consist of three premises, all non-cancellable leases with 5-year terms, rent payable monthly in advance, with annual CPI increase or fixed 4% increase. Two of these leases have, 2, 5-year extension options, and one has 1, 5-year extension option.

Note 19. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

No Director of the company receives remuneration for services as a company Director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Billinghurst Martin Pty Ltd, of which Peter Billinghurst is a partner, received a fee of $13,500 (2013: $12,018) for accounting services provided to Sunshine Coast Community Financial Services Limited for the year ended 30 June 2014.

(d) Key management personnel shareholdings

The number of ordinary shares in Sunshine Coast Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2014	**2013**
Frederick Charles Broomhall	26,674	26,674
Leonard Harold Daddow	8,201	8,201
Peter William Billinghurst	1,051	1,051
Rick Cooper	26,993	26,993
Jay Pashley	20,000	20,000
Debra Johnson	15,000	15,000

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 20. Events after the reporting period

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

Notes to the financial statements (continued)

Note 21. Contingent liabilities and assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in three geographic areas being Cooroy, Marcoola and Tewantin, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 23. Company details

The registered office and principle place of business is: 36A Maple Street Cooroy, QLD, 4563

Note 24. 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:

	2014 $	2013 $
Profit after income tax expense	**110,862**	**199,904**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,704,238**	**1,704,238**

Note 25. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year		
30% franked dividend 8.15 cents per share (2013: 9 cents per share).	**138,895**	**153,381**
(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	141,307	147,784
- Franking credits that wil arise from the payment / (refund) of income tax payable as at the end of the financial year.	6	(6,477)
	141,313	**141,307**

The rate at which dividends have been franked is 30% (2013: 30%).

Note 26. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	247,975	241,850
Trade and other receivables	7	253,484	204,184
Investments and other financial assets	8	432,983	424,801
Total financial assets		**934,442**	**870,835**
Financial liabilities			
Trade and other payables	11	176,213	141,107
Borrowings	12	31,705	48,075
Total financial liabilities		**207,918**	**189,182**

Financial risk management policies

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.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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 and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2013: 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.

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2014 $	2013 $
A rated cash and cash equivalents	247,975	241,850
Australian term deposits > 3 months	432,983	424,801
	680,958	**666,651**

(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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	176,213	176,213	-	-
Loans and borrowings	12	31,705	7,118	24,587	-
Total expected outflows		**207,918**	**183,331**	**24,587**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	247,975	247,975	-	-
Trade and other receivables	7	253,484	253,484	-	-
Investments and other financial assets	8	432,983	432,983	-	-
Total anticipated inflows		**934,442**	**934,442**	**-**	**-**
Net (outflow)inflow on financial instruments		**726,524**	**751,111**	**(24,587)**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	141,107	141,107	-	-
Loans and borrowings	12	48,075	16,370	31,705	-
Total expected outflows		**189,182**	**157,477**	**31,705**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	241,850	241,850	-	-
Trade and other receivables	7	204,184	204,184	-	-
Investments and other financial assets	8	424,801	424,801	-	-
Total anticipated inflows		**870,835**	**870,835**	**-**	**-**
Net (outflow)/inflow on financial instruments		**681,653**	**713,358**	**(31,705)**	**-**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	5,986	5,986
	5,986	**5,986**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	6,254	6,254
	6,254	**6,254**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Sunshine Coast Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes, as set out on pages 15 to 39 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Peter Billinghurst
Director

Signed at Cooroy on 24 October 2014.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants
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Bendigo, VICTORIA
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUNSHINE COAST COMMUNITY
FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sunshine Coast Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Partners: Philip Delahu
Kathie Teasdale Cara Hall
David Richmond Brett Andrew

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Sunshine Coast Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Sunshine Coast Community Financial Services Limited is 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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Sunshine Coast Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 24 October 2014

NSX report

For the year ended 30 June 2014

Additional information required by the NSX and not shown elsewhere in the report is as follows.

(a) The information is current as at the 27 October 2013.

(b) There are no material differences between the entities Annexure 3A and the financial statements contained in the Annual Report.

(c) Corporate governance statement

The Board manages and monitors the business on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of strong corporate governance. The Board has developed a policies and procedures manual which is subject to ongoing review. This framework will assist with governing the company into the future by providing accountability and guiding principles for future decision-making. The Board has an audit committee. The Board has conducts board performance appraisals and strategic planning sessions.

Composition of the Board

The Directors in office at the date of this statement are:

Name	Position
Peter William Billinghurst	Secretary
Jay Pashley	Director
Leonard Harold Daddow	Director
Debra Megan Johnson	Director
Frederick Charles Broomhall	Director
Richard John Cooper	Director
Elizabeth Reynolds	Director

The Board meets monthly and follows meeting guidelines to ensure that all Directors have all of the necessary information to participate in discussion on all agenda items.

Board responsibilities

The Board acts on behalf of and is accountable to the shareholders of the company and as such it seeks to identify the expectations of its shareholders. The Board also reviews its regulatory and ethical expectations and obligations. In addition the Board is responsible for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage those risks.

The Board is also responsible for ensuring that its management activities are aligned with its future goals and appropriate strategies to mitigate material business risks. The mechanisms in place that assist the Board to meet these objectives are:

- Board approval of a business plan for each branch which encompasses the company's vision and mission statements. Ongoing review and adjustments to the business plans to ensure future growth and success. Conducting strategic and business planning workshops.
- Formation of a policies and procedures manual to give the board a clear framework for its administrative decisions.
- Implementation of operating plans and budgets and monitoring progress against budgets both internally and industry performance guidelines.

(c) Corporate governance statement (continued)

- Attending state and national conferences with representatives from other **Community Bank**® branches in the network.
- Provision of training opportunities for directors to assist them with the discharge of their obligations.
- Conduct of various sub committee meetings.

Monitoring of the Board's performance

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner the performance of all directors is reviewed by the Chairman. Directors are subject to a peer review process. Directors whose performance is unsatisfactory would be asked to retire.

(d) There are no substantial shareholders as each shareholder only has one vote regardless of the number of shares.

(e) There are 702 shareholders of ordinary shares in the company.

(f) There is one vote per shareholder.

(g) Distribution of equity securities.

The number of shareholders, by size of holding, are:

Range	Number of shareholders
1-1000	372
1,001-5,000	259
5,001-10,000	43
10,001 -100,0000	28
Total	**702**

(h) The number of non marketable parcels less than $500 was 13.

(i) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

Shareholder	Shares
Thomas Leigh Pty Ltd as trustee for <The Waring Family Superannuation Fund A/C>	57,109
George William Perry	57,000
Murray William & Lyndal Jane Brown as trustee for <Hinternoosa Super Fund A/C>	45,001
Richard Everritt Thorne	44,025
Winpar Holdings Limited	33,725
Jill Maree Killen	30,000
Zedmont Pty Ltd as trustee for <Cooper Collins Super Fund A/C>	26,993

(i) Ten largest shareholders (continued)

Shareholder	Shares
Jennifred Pty Ltd as trustee for <Broomhall Super Fund A/C>	26,774
Thomas Bransby Killen	23,125
Kelvin John & Elaine Kathleen Faggotter	21,000

(j) The name of the entity's Secretary is Peter William Billinghurst.

(k) Address and telephone number of registered office

36A Maple Street,
Cooroy QLD 4563
Phone: (07) 5447 7131

(l) Address and telephone number at which securities register is kept

Richmond Sinnott & Delahunty
172 – 176 McIvor Road,
Bendigo VIC 3552
Phone: (03) 5443 1177

5 Year summary of performance

	2010 $	2011 $	2012 $	2013 $	2014 $
Gross revenue	2,020,666	2,200,361	2,297,504	2,388,664	2,315,685
Net profit before tax	396,541	326,876	226,192	288,234	160,960
Total assets	1,195,298	1,412,607	1,426,579	1,430,533	1,446,928
Total liabilities	122,278	242,892	238,227	195,659	240,088
Total equity	1,073,018	1,169,715	1,188,352	1,234,874	1,206,840
Earnings per share	16.37¢	13.17¢	9.57¢	11.72¢	6.51¢

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