Annual Report 2016

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

For year ending 30 June 2016

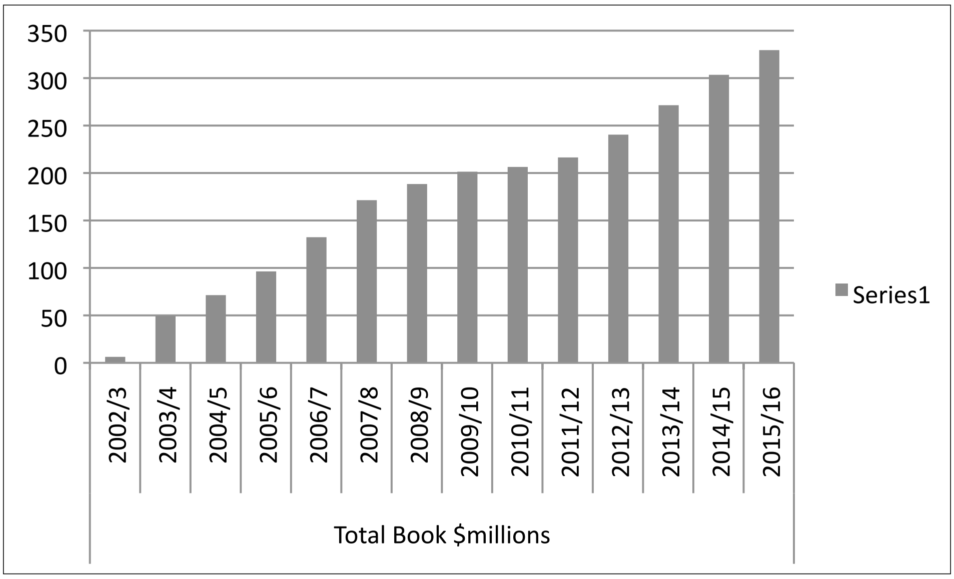
Our Vision

Our vision remains to be the leading customer-connected bank providing profitable customer services. In turn, this delivers shareholder value and an ever increasing funding source used to improve and empower our local communities.

Year ending 30 June 2016

I am pleased to report that the company achieved growth in our book, our revenue, and our customer accounts. Unfortunately reduced margins meant that revenue growth was not commensurate with the growth of the business. Pre tax profit reduced by $40,491. This was mainly due to those reduced margins and an increase in staff costs associated with the full year impact of our new Pomona agency. The book grew some $26 million with $6 million growth generated by our relatively new Pomona agency. The book is primarily the sum of our loans and deposits. The following chart shows the book growth since our commencement of operations some 14 years ago.

Book growth chart

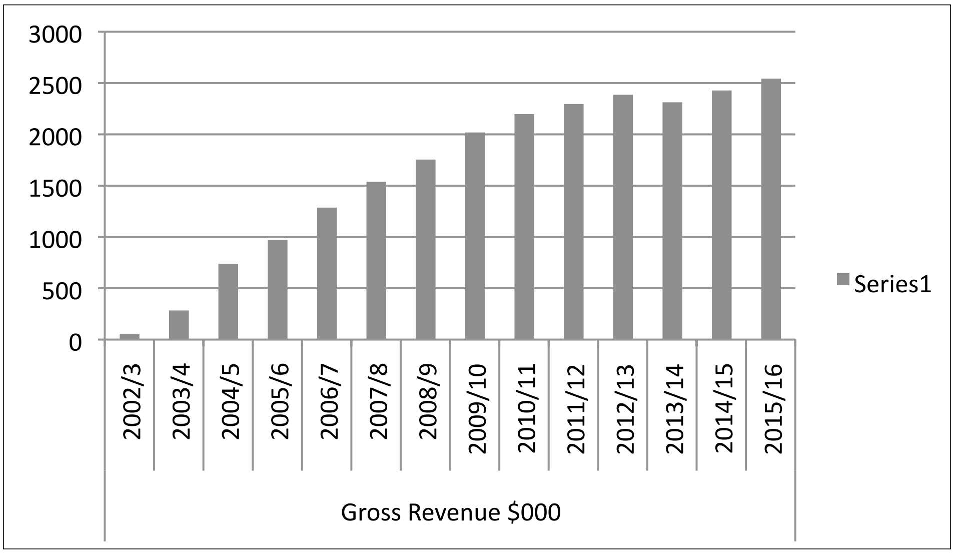


Revenue growth

Australia is continuing to experience a low interest environment which challenges margin yields for all banks including ours. These continually reducing margins have impacted our revenue growth for some years now.

From July 2016, Bendigo and Adelaide Bank has adopted a new Funds Transfer Pricing (FTP) model to share revenue with **Community Bank**® branches. It is not expected to adversely affect our revenue share for the foreseeable future. Our revenue grew to $2,544,731 which was an increase of $114,747 or 4.7% over the previous year. Any increase in net revenue in an era of reducing margins, is pleasing to see.

Revenue growth chart



Profit

Profit before Tax was $171,056. See chart below. This was a profit decrease on the previous year of $40,491. The company has now delivered its ninth profit year in a row while continuing to provide substantial community benefits.

Profit history

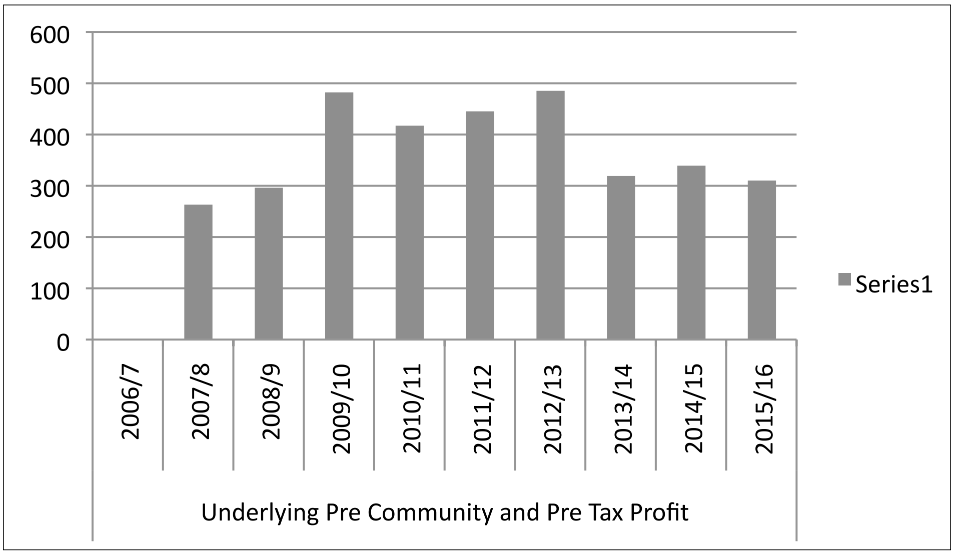
	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Profit pre tax and Community Benefit	311	340	320	486	446	418	483	297	264
Profit before tax	171	212	161	288	226	327	397	252	255
Profit after tax	114	147	111	200	155	224	279	169	172
Earnings per share	6.68 cents	8.61 cents	6.51 cents	11.73 cents	9.09 cents	13.17 cents	16.37 cents	9.93 cents	10.07 cents

Dividends

We are proud that shareholders have now enjoyed seven dividend years in a row with the last dividend being six cents per share fully franked. What a great record for any company especially with many of those years occurring during the Global Financial Crisis.

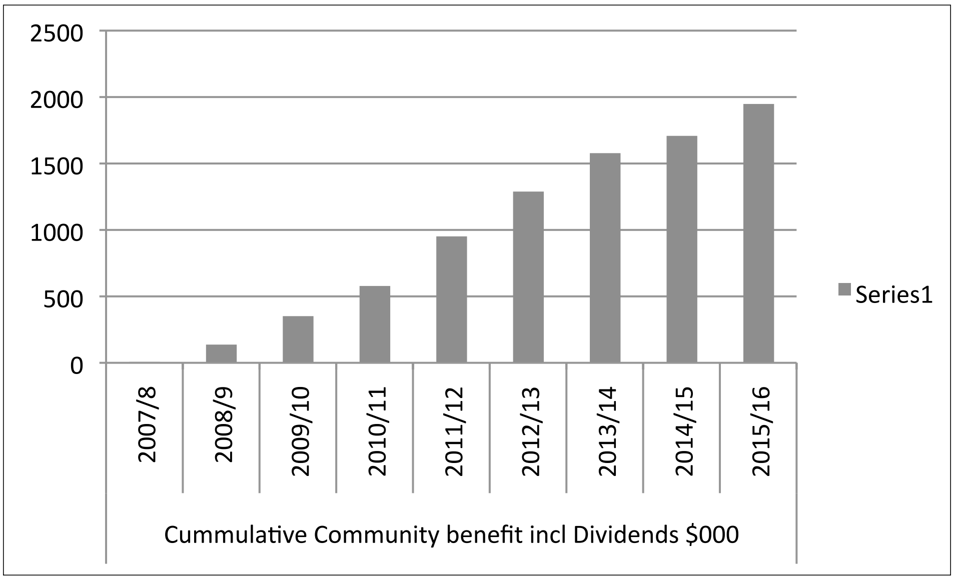
Underlying profit

This is the profit before community benefits and tax, and was $311,191. This was a decrease on the previous year. Lower profits were largely due to reduced margin revenue and increased staff costs mainly associated with the full year impact of resourcing our Pomona agency with a senior staff member to grow our customer base in that part of our footprint.



Cumulative Community Benefit including shareholder dividends

The chart below shows our Cumulative Community Benefit to be nearly $1,950,000 as at 30 June 2016. A **Community Bank®** company which is well supported by the local Community can make a big difference to local organisations needing financial support.



Some interesting statistics

Not including general enquiries, there were some 75,700 over-the-counter transactions during the year. This confirms our belief that customers still appreciate being able to talk to a real person.

In addition there were more than 147,000 ATM transactions in our branch network over the last 12 months. Cash is not dead yet!

Community support

We are continuing our support to around 50 organisations in our region, all of who bank with us. Successful recipients included schools, community events, community groups, the arts, charities and sporting clubs.

We have now assisted four local Noosa District High School students with a university scholarship. The successful high school graduate receives a $10,000 support package over a two-year period to enable them to attend university from their regional base. It is a rigorous process to be chosen and only the most deserving student is ultimately selected. All our scholarship winners are to be congratulated.

Through the local state school students in Tewantin, Cooroy and Pacific Paradise and now Coolum, we have again partnered with the Rotary Clubs in Noosa and Cooroy and collected some 2,000 shoeboxes filled with stationary and a gift for students who attend disadvantaged schools in East Timor.

Financial support, in partnership with the Gympie **Community Bank**® Branch, has been given to the Life Education Van which visits schools all over the region.

Considerable support has been provided to the arts through various organisations involved.

We continue to fund the Christian Outreach Centre Street Reach Van, which provides a safe haven for young people on a Friday and Saturday evenings. It also is used for the centre's chaplaincy program, food outlet and foster care program.

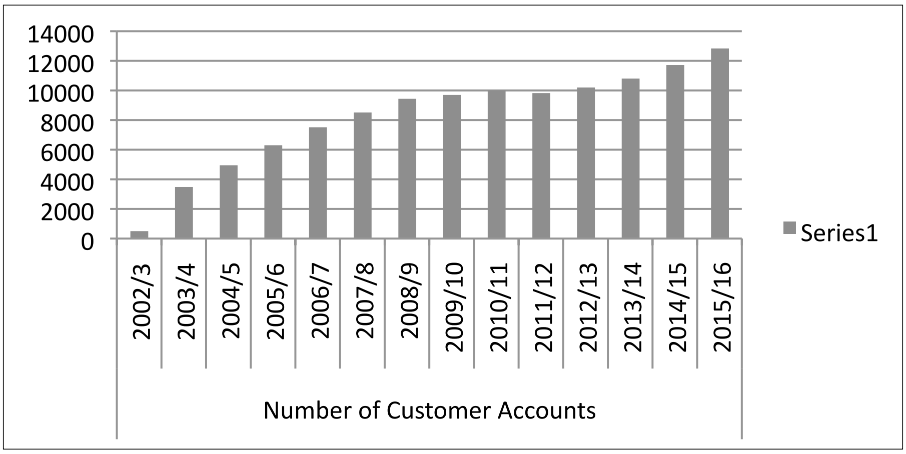
Having broken the monopoly of student banking in Queensland from one particular bank, we are now seeing many students across the region happily opening accounts with us as they see the benefit of our **Community Bank**® model which helps their local school in so many other ways.

The first stage of partnering with the Sunshine Coast Council to upgrade the Coolum Civic Centre has been completed. The next stage of this multi-million dollar improvement is expected to commence this year. This is our largest community project to date, and without our $50,000 contribution, would not have happened.

The geographic areas which benefit from our profit sharing model include both Noosa and the Noosa Hinterland, as well as Coolum and the North Shore community.

Number of customers continuing to grow

As at the 30 June 2016, the company was proud to serve a base of 12,869 customer accounts representing an increase of some 10% over the previous year. This was the largest growth since the year 2006/07. Our more recent decision to open an agency is Pomona has certainly contributed to this success.



Pomona

Our Pomona agency by any measure has been very successful. Hundreds of new customers now have accounts with us and the size of the book has been steadily increasing. The agency is open Monday, Wednesday and Friday between 10.00am and 3.00pm. A senior **Community Bank**® branch staff member is in attendance to discuss banking services with our customers.

Chairman's report (continued)

Staffing

I have to thank all our staff for their dedication, commitment and enthusiasm in supporting our customers and sponsors. Our **Community Bank**® model often involves after hours and weekend activities to which these wonderful people mostly volunteer their time.

Together with our new Marcoola Branch Manager, Kerryn Vincart who joined us some months ago with a wealth of banking experience behind her, the Directors wish to thank Geoff Edwards in Cooroy, and Wayne Hoens in Tewantin and all their staff for a job well done. On behalf of the Board, I again offer my thanks for all their hard work and loyalty in growing our business over the last 12 months.

Marketing and PR

It would be very difficult not to see our community stories and advertising in the local papers and sometimes on TV and radio. We hope you have enjoyed learning more about the work we do in our towns.

Our Community Connections and Marketing Manager, Ian Williams can be thanked for keeping our PR and media profile so high and keeping you informed of our community activities. He is also the key link in our sponsorship liaison and community support and works closely with our Branch Managers and staff. Thank you Ian, for a job well done throughout the year.

Social Media

Our Social Media Co-ordinator, Danielle Taylor has achieved outstanding results in the growth of our Facebook page-likes, our website visits, and our email newsletters. This is on the back of the material Ian provides, and they work together to create great results.

Our Facebook page likes are now ranked one, three and five out of over 310 **Community Bank**® branches Australia wide. Social media is becoming a powerful digital marketing tool and it is pleasing to see our success here.

Our website at SCCFSL.com.au has now had nearly 6,851 unique visitors with 14,541 visits and 100,523 hits. All our community stories, the Annual Report and sponsor requirements are loaded onto this site so please log in anytime and see what we are up to in your community.

New Director

The Board would like to congratulate and welcome former Noosa Shire councillor, Sandy Bolton who has been invited to join your Board of Directors. The Board had recently completed a strategic review and identified the need to attract another Director with extensive community connections. Sandy has an unenviable record in community engagement through many levels of government.

Student Director Observers

Each year the Board invites new student Board observers to attend Board meetings This year we welcome Taylor Diessel and Michael Twitt from Noosa District State High School. It is rare that high school students have the opportunity to participate in the Board meetings of a publicly listed company and we thank these students for their attendance and contribution and hope that the learning and mentoring experience will be of great assistance in their future careers.

Conclusion

I would again like to offer my sincere thanks to each and every one of our volunteer SCCFSL Board Directors who, together with their subcommittee responsibilities, continue to donate their time expertise and energy so generously and unselfishly year after year.

Additionally I would like to thank our past Regional Manager, Rob Chittick and his staff, and the Business Banking Team for their continued 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.

Chairman's report (continued)

The local press have been very supportive and we thank them for running so many of our wonderful community stories.

This **Community Bank**® model is still unique in the world. We are all very proud to be involved in such a worthwhile venture which provides so many benefits to our local communities.

The Board wishes to thank you, our shareholders, and our customers, for your ongoing support.

Remember, bank with us and everybody benefits!

Rick Cooper
SCCFSL Chairman

Cooroy Manager's report

For year ending 30 June 2016

The 2015/16 financial year was another great year for our Cooroy **Community Bank**® Branch.

Having the Pomona agency in operation for the full year and contributing an exceptionally strong growth of $13.526 million, resulted in a total combined footings of $135.853 million. Our footings would have been even stronger if we didn't incur the unusually high discharges/run-off of loans due to customers selling their properties and downsizing. Discharges amounted to over $7 million for the year.

So overall, our loan settlements exceeded $14 million for the year. Deposits too grew strongly with a combined growth of $5.8 million. As a result of this continued growth, our customer base for the 12 months has grown by an additional 200 new customers.

This great result is testament to our team who continued to provide excellent service to our customers over the year and I must thank each and every one of them for their efforts.

Due to the continuing strong growth, the SCCFSL Board approved the promotion of Pam Hoens to the role of Customer Relationship Manager. Her responsibilities ostensibly moved to the administration of the branch covering staff management and risk compliance requirements.

At the same time, an additional Customer Relationship Officer (CRO) to replace Pam was also approved by the Board. This was filled by Hannah Dennis. Although domiciled to Cooroy **Community Bank**® Branch, Hannah's role is also to support and relieve senior staff, when necessary at either the Tewantin or Marcoola **Community Bank**® branches or at our Pomona agency. Hannah is a welcomed member of our team and has proven to be an exceptional contributor in our branch's achievements.

Our other CRO, Karl Doss has taken on the role of representing the Bank at our Pomona agency and has been instrumental in its success. Karl has been the stalwart of this branch and the longest serving staffer. He is the go to man and we're lucky to have him.

Our most important frontline team in David Lafferty, Jo Winters and Amanda Schilds, continue to bring a fresh and revitalising energy to the branch and I continually receive exceptional feedback from our customers. This team is critical to the success of our branch and our results to date are testament to their contribution.

Geoff Edwards (left) is joined outside the branch by Pam Hoens, Karl Doss, Sheena Bartlett, David Lafferty and Barbara Schilds.

Cooroy Manager's report (continued)

On 18 May we celebrated the first anniversary of the Pomona agency by way of a function at Pomona Bowls Club. We have enjoyed great support in our first year and it was a great opportunity to thank our partners, supporters and community in and around Pomona for supporting us. We're here to stay in Pomona and this is now reflected in the number of new customers since the event.

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. I can understand why they are held in high esteem by Bendigo Bank Corporate's Head Office.

And finally, thanks to our Community Connection and Marketing Manager, Ian Williams for his tireless efforts with the promotion of our unique banking model. He and our Social Media Co-ordinator, Danielle Taylor are worth their weight in gold. Without them, the success we enjoy simply wouldn't have happened.

The year that lies ahead is filled with confidence, for both the Cooroy **Community Bank**® Branch and our Pomona agency. I know we all remain committed to delivering a stronger Noosa hinterland through our communities.

(l-r) Stacey Watts, Pam Hoens, Glenda Burns and Geoff Edwards.

It's both rewarding and a pleasure to be part of a great team that gives everything to the service of its customers and the community as a whole.

Our sponsorships are such an integral part of what we do and also what sets us apart. The groups we support are now too numerous to mention, but I want to thank them all for the opportunity to be a part of their activities and celebrations.

I look forward to the many successful years ahead.

Geoff Edwards
Branch Manager, Cooroy

Marcoola Manager's report

For year ending 30 June 2016

It's been another great year at our Marcoola **Community Bank**® Branch.

Our success is measured not only by its financial contribution to the communities of the North Shore, but also through our branch's achievements working within the community itself.

It's 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.

(l-r) Carmen Knight, Kerryn Vincart, Stephen Hutchings and Julie Markillie.

The success of the year saw our overall business held under management exceed $102 million and the number of customers doing business with us grew by 3.5%.

We celebrate the fact that our **Community Bank**® branch has now contributed more than $600,000 and over 30 sponsorships and partnerships and that number will continue to grow as more locals learn more about the **Community Bank**® model and the difference it makes for everyone.

The successful year continued when we were able to return the income generated from our growth to our community in an array of community events and partnerships. Our Marcoola **Community Bank**® Branch, its staff and Board have achieved outcomes that are relevant, whether it is partnering with Sunshine Coast Council to refurbish the Coolum Civic Centre and the upgrade of Jack Morgan Park (our greatest support of any community project to date), we're there and we're connected to our community.

Our support for the Marcoola Surf Life Saving Club, Mudjimba Surf Club, Cool Harmonies choir, Northshore Community Centre Christmas Event, Coolum Theatre Players, Mudjimba Boardriders Association and new entry furniture for Mudjimba Community Kindergarten were all highlights during a very busy year.

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 in a volunteer capacity.

To our Community Connection and Marketing Manager, Ian Williams. Thank you for your many, many hours of work contributing to supporting not only this branch but all the community groups we work with. Also to our Social Media Co-ordinator, Danielle Taylor for all the work she does with Ian to make our stories, photos and our branch so active and relevant in the social media space.

Last but not least, my team of Carmen, Julie, Stephen and Maria, all of whom work day in and day out ensuring our customers receive the best outcomes each and every time they drop into the branch or via phone 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.

K Vincart.

Kerryn Vincart
Branch Manager, Marcoola

Tewantin Manager's report

For year ending 30 June 2016

The finance world continues to be an interesting place with interest rates again falling this last year. Our investment customers are really feeling the reduction in their incomes. Conversely our borrowers are enjoying record low rates and in this competitive environment it is difficult to get the right balance.

Notwithstanding the reduced margin income, the Tewantin **Community Bank**® Branch has again had a successful year. Our loan and deposit book has grown by $9.8 million for the year resulting in our total footings reaching over $92 million. Our total number of accounts is now over 4,000 after opening almost 600 for the year. This is a strong result given the economic climate and one which is attributed to the professional and meaningful service provided by our staff and our wide range of products and services. We have a solid base and will build on this in the years ahead and I am looking forward to the challenges ahead.

At the forefront of our success has been our excellent staff and I would like to pay tribute to the team, past and present. During the year we said goodbye to Helen Whitby (retired) and long-term staff member Sarah Vogler who changed her career path and joined the Queensland Police Service. Our current front line team is Kerri Wright, Ben Baker, Penny Lucas, Stacey Miller and Maria Mitchell. Thank you all for a job well done.

The Tewantin **Community Bank**® Branch continues its great work in the community. The list of the groups that we have assisted over the years is many and quite varied. We have a strong passion to assist our youth and do this through various school programs at both local State Schools plus we sponsor the Cooloola Noosa Life Education Van.

Some of our other newer sponsorships are the Tewantin Noosa Bowls Club, the Lions Club of Noosa Heads and the inaugural Noosa QLD Day Awards. We hope to be part of these awards for many years to come as they showcase our local not for profit organisations and provide recognition to their remarkable army of volunteers throughout our region.

I would like to thank the SCCFSL Board, Ian Williams our Community Connection and Marketing Manager and Danielle Taylor our Social Media co-ordinator for their tireless efforts and the many hours of work they contribute in supporting us and our community groups.

Wayne with the Tewantin team – Kerri Wright, Ben Baker, Sarah Vogler and Penny Lucas.

Tewantin Manager's report (continued)

Additionally and more importantly all of this could not happen without our customers and in conclusion I would like to thank all our customers and shareholders for their continued support. There are no truer words than 'Bank with us and everyone benefits'.

I look forward to seeing you in the branch.

Wayne Hoens
Branch Manager, Tewantin

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

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:

Rick Cooper, Chairman

Experience and expertise	Rick is the founding president of the Tewantin Community Association, and former principle of Elders Realestate Tewantin. Rick was appointed as a Director in November 2006.
Other current Directorships	Paymont Pty Ltd, Zedmont Pty Ltd, Woombye & Districts Community Enterprises Limited.
Former Directorships in last 3 years	Nil.
Special responsibilities	Audit Committee.

Frederick Charles Broomhall

Experience and expertise	Frederick has a Bachelor of Commerce and is a long tme property investor. He was appointed as Director in May 2002.
Other current Directorships	Jennifred Pty Ltd.
Former Directorships in last 3 years	Nil.
Special responsibilities	Nil.

Leonard Harold Daddow - Resigned December 2015

Experience and expertise	Leonard is the principle of an automotive dealership. He was appointed as a Director from May 2002.
Other current Directorships	Nil.
Former Directorships in last 3 years	Nil.
Special responsibilities	Nil.

Peter William Billinghurst, Secretary

Experience and expertise	Peter was appointed as a Director in may 2002, holds a Bachelor of Commerce and is a Chartered Accountant.
Other current Directorships	Billinghurst Martin Pty Ltd, Cedar Street Services Pty Ltd.
Former Directorships in last 3 years	Nil.
Special responsibilities	Audit Committee.

Jay Pashley

Experience and expertise	Jay is the principal of North Shore Realty, and has been a Director since February 2004.
Other current Directorships	Jepadcap Pty Ltd, North Shore Projects Pty Ltd.
Former Directorships in last 3 years	Nil.
Special responsibilities	Nil.

Directors (continued)

Debra Johnson

Experience and expertise	Debra is the principal of building consultants Suncoast Green. Debra was appointed as a Director in November 2008.
Other current Directorships	Suncoast Green Pty Ltd
Former Directorships in last 3 years	Nil.
Special responsibilities	Nil.

Elizabeth Reynolds

Experience and expertise	Elizabeth is a retired solicitor who now owns and operates her own small business. Elizabeth was appointed a Director from July 2014.
Other current Directorships	Tourism Noosa Limited.
Former Directorships in last 3 years	Nil.
Special responsibilities	Nil.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Rick Cooper	12	11	2	2
Frederick Charles Broomhall	12	12	N/A	N/A
Leonard Harold Daddow	6	5	N/A	N/A
Peter William Billinghurst	12	12	2	2
Jay Pashley	12	10	N/A	N/A
Debra Johnson	12	12	N/A	N/A
Elizabeth Reynolds	12	9	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

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

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

Directors' report (continued)

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch 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

The profit of the company for the financial year after provision for income tax was $113,831 (2015: $146,763), which is a 17% decrease as compared with the previous year.

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 6.0 cents per share was declared and paid during the year for the year ended 30 June 2015. No dividend has been declared or paid for the year ended 30 June 2016 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

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 the end of the reporting period

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.

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.

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.

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.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 19 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

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.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2015	Net change in holdings	Balance at 30 June 2016
Directors			
Rick Cooper	26,993	-	26,993
Frederick Charles Broomhall	42,700	-	42,700
Leonard Harold Daddow (Retired December 2015)	8,201	-	8,201
Peter William Billinghurst	1,051	-	1,051
Jay Pashley	20,000	-	20,000
Debra Johnson	15,000	-	15,000
Elizabeth Reynolds	-	-	-

Directors' report (continued)

Remuneration report (continued)

<u>Loans to key management personnel</u>

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Cooroy on 29 September 2016.

Peter Billinghurst
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

29 September 2016

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 2016 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.

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	2,544,731	2,429,984
Expenses			
Employee benefits expense	3	1,436,665	1,336,012
Depreciation and amortisation	3	107,416	79,483
Professional fees		81,159	81,854
Finance costs	3	44,791	23,530
Bad and doubtful debts expense	3	3,487	6,683
Occupancy expenses		138,837	161,144
IT expenses		101,437	102,158
Advertising and marketing expenses		48,875	74,448
Other expenses		270,873	224,653
		2,233,540	**2,089,965**
Operating profit before charitable donations and sponsorships		**311,191**	**340,019**
Charitable donations and sponsorships		140,135	128,472
Profit before income tax		**171,056**	**211,547**
Income tax expense	4	57,225	64,784
Profit for the year		**113,831**	**146,763**
Other comprehensive income		-	-
Total comprehensive income for the year		**113,831**	**146,763**
Profit attributable to members of the company		113,831	146,763
Total comprehensive income attributable to members of the company		**113,831**	**146,763**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		6.68	8.61

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	273,012	138,452
Trade and other receivables	6	220,734	194,598
Current tax asset	4	-	3,105
Other assets	7	26,119	27,256
Total current assets		**519,865**	**363,411**
Non-current assets			
Plant and equipment	8	1,595,575	1,649,499
Intangible assets	9	88,572	130,003
Deferred tax assets	4	41,712	39,678
Total non-current assets		**1,725,859**	**1,819,180**
Total assets		**2,245,724**	**2,182,591**
Liabilities			
Current liabilities			
Trade and other payables	10	194,048	167,604
Current tax liability	4	32,725	-
Borrowings	11	16,975	7,612
Total current liabilities		**243,748**	**175,216**
Non-current liabilities			
Borrowings	11	767,000	783,975
Total non-current liabilities		**767,000**	**783,975**
Total liabilities		**1,010,748**	**959,191**
Net assets		**1,234,976**	**1,223,400**
Equity			
Issued capital	13	1,623,067	1,623,067
Accumulated losses	15	(388,091)	(399,667)
Total equity		**1,234,976**	**1,223,400**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		1,623,067	(416,226)	1,206,841
Profit for the year		-	146,763	146,763
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**146,763**	**146,763**
Transactions with owners in their capacity as owners				
Dividends paid or provided	23	-	(130,204)	(130,204)
Balance at 30 June 2015		**1,623,067**	**(399,667)**	**1,223,400**
Balance at 1 July 2015		1,623,067	(399,667)	1,223,400
Profit for the year		-	113,831	113,831
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**113,831**	**113,831**
Transactions with owners in their capacity as owners				
Dividends paid or provided	23	-	(102,255)	(102,255)
Balance at 30 June 2016		**1,623,067**	**(388,091)**	**1,234,976**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,772,952	2,446,093
Payments to suppliers and employees		(2,445,040)	(2,126,533)
Interest paid		(44,791)	(23,530)
Interest received		106	9,674
Income tax paid		(26,739)	(67,895)
Net cash provided by operating activities	**15b**	**256,488**	**237,809**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	18,000
Proceeds from sale of investments		-	432,983
Purchase of plant and equipment		(12,061)	(1,359,280)
Purchase of intangible assets		-	(68,713)
Net cash flows used in investing activities		**(12,061)**	**(977,010)**
Cash flows from financing activities			
Proceeds from borrowings		-	767,000
Repayment of borrowings		(7,612)	(7,118)
Dividends paid		(102,255)	(130,204)
Net cash provided by / (used in) financing activities		**(109,867)**	**629,678**
Net increase / (decrease) in cash held		**134,560**	**(109,523)**
Cash and cash equivalents at beginning of financial year		138,452	247,975
Cash and cash equivalents at end of financial year	**15a**	**273,012**	**138,452**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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 29 September 2016.

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.

<u>Economic dependency</u>

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", the logo, and systems of operation 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;
- 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;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- 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 are measured at the amounts expected to be paid to 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.

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure 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 asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest 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 (i.e. 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 (i.e. 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.

(d) 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.

Note 1. Summary of significant accounting policies (continued)

(d) Plant and equipment (continued)

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

Plant and equipment

Plant and equipment, including motor vehicles, 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 in profit or loss. 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.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of asset	Rate	Method
Buildings	2.50%	SL
Plant and equipment	7.5% - 30%	SL & DV
Motor vehicles	18.75%	SL

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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 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 the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. 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.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations 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) Intangible assets

Establishment costs and franchise fees 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 in 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.

(k) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Other revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

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

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Note 1. Summary of significant accounting policies (continued)

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) 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 beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows."

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied."

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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 charges 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 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 are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

	2016 $	2015 $

Note 2. Revenue

Revenue		
- services commissions	2,466,812	2,355,229
	2,466,812	**2,355,229**
Other revenue		
- interest received	106	9,674
- consultancy income	38,673	33,826
- rental income	39,140	20,930
- gain on disposal of plant and equipment	-	8,347
- other revenue	-	1,978
	77,919	**74,755**
Total revenue	**2,544,731**	**2,429,984**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	1,201,524	1,109,350
- superannuation costs	106,921	98,282
- other costs	128,220	128,380
	1,436,665	**1,336,012**
Depreciation and amortisation		
Depreciation		
- buildings	26,304	-
- plant and equipment	35,717	36,042
- motor vehicles	3,964	6,077
	65,985	**42,119**
Amortisation		
- franchise fees	41,431	37,364
Total depreciation and amortisation	**107,416**	**79,483**
Finance costs		
- Interest paid	44,791	23,530
Bad and doubtful debts expenses	3,487	6,683

Notes to the financial statements (continued)

	2016 $	2015 $

Note 3. Expenses (continued)

Auditors' remuneration

	2016 $	2015 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,697	6,812
- Share registry services	4,800	12,067
	10,497	**18,879**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense	59,259	64,784
Deferred tax expense	(51)	-
Prior year under / (over) provision	(1,983)	-
	57,225	**64,784**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2015: 30%)	51,317	63,464
Add tax effect of:		
- Prior year under / (over) provision	(1,983)	-
- Non-deductible expenses	7,891	1,320
Income tax attributable to the entity	**57,225**	**64,784**
The applicable weighted average effective tax rate is:	33.45%	30.62%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(3,105)	6
Income tax paid	(26,739)	(67,895)
Current tax	59,259	64,784
Prior year under / (over) provision	3,310	-
	32,725	**(3,105)**

	2016 $	2015 $

Note 4. Income tax (continued)

d. Deferred tax asset

	2016 $	2015 $
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accrued expenses	4,745	-
Property, plant & equipment	-	-
Carried forward capital losses	39,678	39,678
	44,423	**39,678**
Deferred tax liabilities balance comprises:		
Prepayments	2,711	-
	2,711	**-**
Net deferred tax asset	**41,712**	**39,678**
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(114)	-
(Decrease) / increase in deferred tax liabilities	65	-
Under / (over) provision prior years	(1,985)	-
	(2,034)	**-**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	273,012	138,452
	273,012	**138,452**

Note 6. Trade and other receivables

Current

	2016 $	2015 $
Trade receivables	220,734	194,598
	220,734	**194,598**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	220,734	220,734	-	-	-	-
Total	**220,734**	**220,734**	**-**	**-**	**-**	**-**
2015						
Trade receivables	194,598	194,598	-	-	-	-
Total	**194,598**	**194,598**	**-**	**-**	**-**	**-**

	2016 $	2015 $
Note 7. Other assets		
Prepayments	9,037	8,824
Security bonds	12,400	12,400
Borrowing costs	4,682	6,032
	26,119	**27,256**

Note 8. Plant and equipment

	2016 $	2015 $
Land and buildings		
At cost	1,317,160	1,317,160
Less accumulated depreciation	(26,304)	-
	1,290,856	**1,317,160**
Plant and equipment		
At cost	866,392	854,331
Less accumulated depreciation	(578,852)	(543,135)
	287,540	**311,196**
Motor vehicles		
At cost	45,692	45,692
Less accumulated depreciation	(28,513)	(24,549)
	17,179	**21,143**
Total plant and equipment	**1,595,575**	**1,649,499**

	2016 $	2015 $

Note 8. Plant and equipment (continued)

a) Movements in carrying amounts

	2016 $	2015 $
Land and buildings		
Balance at the beginning of the reporting period	1,317,160	-
Additions	-	1,317,160
Depreciation expense	(26,304)	-
Balance at the end of the reporting period	**1,290,856**	**1,317,160**
Plant and equipment		
Balance at the beginning of the reporting period	311,196	305,118
Additions	12,061	42,120
Depreciation expense	(35,717)	(36,042)
Balance at the end of the reporting period	**287,540**	**311,196**
Motor vehicles		
Balance at the beginning of the reporting period	21,143	36,873
Disposals	-	(9,653)
Depreciation expense	(3,964)	(6,077)
Balance at the end of the reporting period	**17,179**	**21,143**
Total plant and equipment		
Balance at the beginning of the reporting period	1,649,499	341,991
Additions	12,061	1,359,280
Disposals	-	(9,653)
Depreciation expense	(65,985)	(42,119)
Balance at the end of the reporting period	**1,595,575**	**1,649,499**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	524,926	524,926
Less accumulated amortisation	(436,354)	(394,923)
	88,572	**130,003**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 9. Intangible assets (continued)

a) Movements in carrying amounts

	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	130,003	98,654
Additions	-	68,713
Amortisation expense	(41,431)	(37,364)
Balance at the end of the reporting period	**88,572**	**130,003**

Note 10. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	133,902	138,044
Other creditors and accruals	27,362	21,687
GST Payable	32,784	7,873
	194,048	**167,604**

The average credit period on trade and other payables is one month.

Note 11. Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Chattel lease	16,975	7,612
	16,975	**7,612**
Non-current		
Secured liabilities		
Bank loan	767,000	767,000
Chattel lease	-	16,975
	767,000	**783,975**

(a) Bank overdraft and bank loans

The company does not has an overdraft facility, however the entity has an account that for accounting purposes is in a credit balance due to unpresented cheques on outstanding dividend payments.

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 5.99%. The loan is interest only until 2020, then becomes repayable over 15 years. This loan has been created to fund the acquisition of the building at Cooroy and is secured against said property.

Note 11. Borrowings (continued)

(b) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 12. Provisions

All staff are employees of bendigo and Adelaide Bank Limited, except for one staff member who had no employee entitlements owing at year end.

	2016 $	2015 $
Note 13. Share capital		
1,672,988 Ordinary shares fully paid	1,672,988	1,672,988
31,250 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(49,921)	(49,921)
	1,623,067	**1,623,067**
a) 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.

b) 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 company 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%.

Note 13. Share capital (continued)

b) Capital management (continued)

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 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.

	2016 $	2015 $

Note 14. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the reporting period	(399,667)	(416,226)
Profit after income tax	113,831	146,763
Dividends paid	(102,255)	(130,204)
Balance at the end of the reporting period	**(388,091)**	**(399,667)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	273,012	138,452
As per the Statement of Cash Flow	**273,012**	**138,452**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	113,831	146,763
Non-cash flows in profit		
- Depreciation	65,985	42,119
- Amortisation	41,431	37,364
- Net profit on disposal of plant & equipment	-	(8,347)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(26,136)	34,130
- (increase) / decrease in prepayments and other assets	1,137	-
- (Increase) / decrease in deferred tax asset	(2,034)	-
- Increase / (decrease) in trade and other payables	26,444	(11,109)
- Increase / (decrease) in current tax liability	35,830	(3,111)
Net cash flows from / (used in) operating activities	**256,488**	**237,809**

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	6.68	8.61
Earnings used in calculating basic and diluted earnings per share	113,831	146,763
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,704,238	1,704,238

Note 17. Key management personnel and related party disclosures

(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.

There was no remuneration paid to key management personnel, including Directors of the company during the year. Remuneration includes:

<u>Short-term employee benefits</u>

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

<u>Post-employment benefits</u>

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

<u>Other long-term benefits</u>

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

<u>Share-based payments</u>

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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.

Note 17. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Billinghurst Martin Pty Ltd - related party of Director Peter Billinghurst.	Accounting services	17,296

Sunshine Coast Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package.

(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:

	2016	2015
Rick Cooper	26,993	26,993
Frederick Charles Broomhall	42,700	42,700
Leonard Harold Daddow (Retired December 2015)	8,201	8,201
Peter William Billinghurst	1,051	1,051
Jay Pashley	20,000	20,000
Debra Johnson	15,000	15,000
Elizabeth Reynolds	-	-

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 18. Events after the reporting period

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. 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 (2015: 100%).

	2016 $	2015 $

Note 21. Commitments

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	89,449	90,766
- between 12 months and five years	233,985	254,611
- greater than five years	-	-
Minimum lease payments	**323,434**	**345,377**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Chattel lease commitments

	2016 $	2015 $
Chattel lease liabilitis are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	17,253	9,053
- between 12 months and five years	-	17,253
- greater than five years	-	-
Minimum lease payments	**17,253**	**26,306**
Less future interest charges	(276)	(1,719)
Chattel lease liability	**16,976**	**24,587**

Chattel leases comprise leases of a motor vehicle under normal commercial lease terms and conditions repayable over 5 years.

Note 22. Company details

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

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

	2016 $	2015 $
Final fully franked ordinary dividend of 6.00 cents per share (2015: 7.64) franked at the tax rate of 30% (2015: 30%).	102,255	130,204

Note 24. Financial risk management

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 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.

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	273,012	138,452
Trade and other receivables	6	220,734	194,598
Total financial assets		**493,746**	**333,050**
Financial liabilities			
Trade and other payables	10	194,048	167,604
Borrowings	11	783,975	791,587
Total financial liabilities		**978,023**	**959,191**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

None of the assets of the company are past due (2015: 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 Limited and therefore credit risk is considered minimal.

(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 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	273,012	273,012	-	-
Trade and other receivables	-%	220,734	220,734	-	-
Total anticipated inflows		**493,746**	**493,746**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	194,048	194,048	-	-
Borrowings	5.99%	783,975	16,975	49,550	717,450
Total expected outflows		**978,023**	**211,023**	**49,550**	**717,450**
Net inflow / (outflow) on financial instruments		**(484,277)**	**282,723**	**(49,550)**	**(717,450)**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	138,452	138,452	-	-
Trade and other receivables	-%	194,598	194,598	-	-
Total anticipated inflows		**333,050**	**333,050**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	167,604	167,604	-	-
Borrowings	5.99%	791,587	7,612	32,960	751,015
Total expected outflows		**959,191**	**175,216**	**32,960**	**751,015**
Net inflow / (outflow) on financial instruments		**(626,141)**	**157,834**	**(32,960)**	**(751,015)**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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 borrowings, and cash and cash equivalents.

<u>Sensitivity analysis</u>

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.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	2,730	2,730
+/- 1% in interest rates (interest expense)	(7,840)	(7,840)
	(5,110)	**(5,110)**

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,385	1,385
+/- 1% in interest rates (interest expense)	(7,916)	(7,916)
	(6,531)	**(6,531)**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	273,012	273,012	138,452	138,452
Trade and other receivables (i)	220,734	220,734	194,598	194,598
Total financial assets	**493,746**	**493,746**	**333,050**	**333,050**
Financial liabilities				
Trade and other payables (i)	194,048	194,048	167,604	167,604
Borrowings	783,975	783,975	791,587	791,587
Total financial liabilities	**978,023**	**978,023**	**959,191**	**959,191**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

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 20 to 49 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 2016 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.

3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Peter Billinghurst
Director

Signed at Cooroy on 29 September 2016.

Richmond
Sinnott &
Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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 2016, 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.

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 2016 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 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 2016. 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.

Audit's Opinion

In our opinion, the remuneration report of Sunshine Coast Community Financial Services Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 29th September 2016

NSX report

For the year ended 30 June 2016

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

(a) The information is current as at the 29th September 2016.

(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
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.
- Attending state and national conferences with representatives from other **Community Bank**s in the network.

Board responsibilities (continued)

- 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 681 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	362
1,001-5,000	254
5,001-10,000	35
10,001 -100,0000	30
Total	**681**

(h) The number of non marketable parcels less than $500 was 12.

(i) Ten largest shareholders

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

Shareholder	Shares
Scipio Nominees Pty Ltd	52,525
Murray William & Lyndal Jane Brown as Trustee for <Hinternoosa Super Fund A/C>	45,501
Jennifred Pty Ltd as Trustee for <Broomhall Super Fund A/C>	42,800
Thomas Leigh Pty Ltd as Trustee for <The Waring Family Superannuation Fund A/C>	33,749
Winpar Holdings Limited	337
Jill Maree Killen	33,725
Robyn Anne Willey & Donald Bruce Mcbryde as Trustee for <The Willey Mcbryde Superannuation Fund	33,749
Jill Maree Killen	30,000
Zedmont Pty Ltd as Trustee for <Cooper Collins Super Fund A/C>	26,993
James Howard Bell	25,000

(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

	2012	2013	2014	2015	2016
Gross Revenue	2,297,504	2,388,664	2,315,685	2,429,984	2,544,781
Net Profit before tax	226,192	288,234	160,960	211,547	171,056
Total Assets	1,426,579	1,430,533	1,446,928	2,179,486	2,245,724
Total Liabilities	238,227	195,659	240,088	956,086	1,010,748
Total Equity	1,188,352	1,234,874	1,206,840	1,223,400	1,234,976
Earnings per share	9.57¢	11.72 ¢	6.51 ¢	8.61¢	6.68 ¢

Cooroy **Community Bank**® Branch
36A Maple Street, Cooroy QLD 4563
Phone: (07) 5447 7131 Fax: (07) 5447 7723
www.bendigobank.com.au/cooroy

Marcoola **Community Bank**® Branch
1/930 David Low Way, Marcoola QLD 4564
Phone: (07) 5448 8582 Fax: (07) 5448 9689
www.bendigobank.com.au/marcoola

Tewantin **Community Bank**® Branch
1/105 Poinciana Avenue, Tewantin QLD 4565
Phone: (07) 5440 5289 Fax: (07) 5440 5291
www.bendigobank.com.au/tewantin

Pomona agency
3 Station Street, Pomona QLD 4568
Phone: (07) 5485 1786

Franchisee: Sunshine Coast Community Financial Services Limited
36A Maple Street, Cooroy QLD 4563
Phone: (07) 5447 7131 Fax: (07) 5447 7723
ABN: 12 100 576 261

www.bendigobank.com.au
(BNPAR16112) (09/16)