

Sunshine Coast Community  
Financial Services Limited

ABN 12 100 576 261

# annual report 2011



Cooroy, Marcoola and Tewantin **Community Bank®** branches

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# Chairman's report

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For year ending 30 June 2011



The last financial year produced a softer result than previous year. Despite our profit falling by \$54,515, it was still our second best year ever after the record set in 2009/10.

Some very large temporary term deposits which had a positive profit impact in 2009/10, were largely withdrawn during the last financial year, but pleasingly tighter controls on expenditure complemented with a significant growth in new business very nearly offset those losses.

Trading conditions on the Sunshine Coast continue to challenge us. Our two largest economic drivers being Tourism and Construction have suffered badly from the impact of the GFC, a high exchange rate and interest rates relative to our offshore partners, and months of adverse weather conditions.

In order to more fairly realign banking margins shared between **Community Bank**<sup>®</sup> branches and Bendigo and Adelaide Bank Ltd, the percentage to the **Community Bank**<sup>®</sup> sector was adjusted downwards effective from April 2011. Over time banking margins have declined but the allocated margin share to **Community Bank**<sup>®</sup> branches had remained the same. It was always meant to be shared 50/50 with Bendigo and Adelaide Bank Ltd so a correction was needed. This also had a negative 2010/11 profit impact estimated to be around \$25,000.

The chart below shows the profit results since 2007/2008:

	<b>2010/11</b> \$	<b>2009/10</b> \$	<b>2008/09</b> \$	<b>2007/08</b> \$
Profit after tax	326,876	396,541	251,811	254,749
Profit after tax	224,514	279,029	169,294	171,583
Earnings per share	13.17 cents	16.38 cents	9.93 cents	10.07 cents

We believe the purpose of a community is to support and empower our various communities by way of a sustainable and ever increasing and reliable flow of profit share, after shareholder dividends, which we then invest back into those communities. We achieve that by aiming to deliver a full suite of banking services to each and every one of valued customers.

We are proud to advise that our community contribution since inception has reached \$450,000 by 30 June. Last year we assisted over fifty organisations in the three communities in which we operate. Nationally the total community benefit now exceeds \$60 million.

Globalisation tends to remove liquidity from local communities. The **Community Bank**<sup>®</sup> model on the other hand, puts it back. The **Community Bank**<sup>®</sup> model is providing never before seen benefits all over Australia with the **Community Bank**<sup>®</sup> branch network, in just 13 years, now reaching more than 270 branches and growing rapidly. Together with Bendigo Bank owned branches, the total network exceeds 600 locations and we are now part of the fifth largest banking group in Australia.

## Chairman's report continued

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Better still, consumer surveys continually show extremely high customer satisfaction levels are being achieved by Bendigo Bank.

Our Marcoola **Community Bank**<sup>®</sup> Branch enjoyed a substantial growth in new business proving that our decision to move to new a larger higher profile location was more than justified.

Tewantin **Community Bank**<sup>®</sup> Branch enjoyed a small renovation providing a more private office for customer meetings and a new window facade.

An upgrade and small renovation is planned for Cooroy in 2011/12.

During the year we opened our 10,000th account to a customer from Pomona. What a wonderful achievement for our three **Community Bank**<sup>®</sup> branches!

We also hosted the 2011 Queensland State **Community Bank**<sup>®</sup> Conference, held at the Sheraton Resort and Spa in Noosa. It has been widely viewed as the most successful state conference to be held and we're very proud of the result.

I congratulate our team of Hayley Turner and Ian Williams for their extraordinary efforts way over and above the call of duty, and a big thank you to those businesses who so generously supported our fund raising efforts for a local charitable cause.

I would like to take this opportunity to again thank your volunteer Board for all their time, effort and commitment to the **Community Bank**<sup>®</sup> cause. To Peter Billingham and Jay Pashley a special thank you for your dedication, committee work and Board contribution.

I also thank our three Junior Director observers Jaime-Lee Thomasson, Lea Zeestraten and Zoe Arch from Year 12 at Noosa District High School for the valuable time committed to attend our Board meetings. We also were delighted to welcome Di Henshall from Di Henshall Interior Design as a new SCCFSL Director.

I would especially like to thank our Branch Managers Fiona Hutchings, Judy Blackall and Wayne Hoens as well as our very special staff without which we could not function. Your willingness to devote out of hours unpaid time to assist our communities is a never ending source of inspiration to both the Board, and the communities you serve.

I express the thanks of the Board to Ian Williams, who is our Community Connection and Marketing Manager, for all his efforts over the last year.

I also thank Bendigo and Adelaide Bank Ltd's regional, State and national staff who have advised and assisted us over the last 12 months and look forward to an even more productive relationship in the future.

We are advised that Cooroy, Marcoola and Tewantin **Community Bank**<sup>®</sup> branches are combined to be the sixth largest **Community Bank**<sup>®</sup> Group in Australia and are planning for a strong result and another successful year in 2011/12.

I genuinely appeal to all shareholders to move some or all of your banking over to us as we do need your support to grow both your branches' and your future dividend. Please recommend us to your friends, family and colleagues. I am confident that you will be happy that you did.

My very best wishes,



**Rick Cooper**  
**Chairman**

# Cooroy Manager's report

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For year ending 30 June 2011



◀ From left to right: Fiona Hutchings, Lucie Loginow, Barbara Schilds, Corinne Richter, Hayley Turner and Simone Flavelle.

The last 12 months has really seemed to have flown by.

The general feeling around the township of Cooroy and surrounding areas is still one of lacking a little business confidence. Shopkeepers and business people encountered a year where trade has often been down.

It is safe to say that everyone is hoping for a better 2011/12 year. We are all looking for restored confidence in both the property and share markets.

In saying that our Cooroy **Community Bank**<sup>®</sup> Branch has still been trading along well. Loan approval numbers were a little down for the year both in dollar values and number of facilities written however business written was good quality.

Deposit accounts remained steady. Very little funds were lost to other banking or financial institutions. Funds that did get withdrawn were for mainly specific reason such a property purchase or renovations.

Footings for the branch finished the year at \$86.21 million.

Our customers continue to tell us that they like doing business with Cooroy **Community Bank**<sup>®</sup> Branch. We encounter very few people choosing to leave us and bank elsewhere. This feedback is a credit to staff here at Cooroy and the dedication they have to high quality service.

New customers continue to come to us and change over from their previous banking institution. Some of these come as a referral from an existing Cooroy **Community Bank**<sup>®</sup> Branch customer. Others come as a result of the affiliation with one of our many sponsorship partners. Additionally others still come after they see and hear about us in local media. These results are the **Community Bank**<sup>®</sup> philosophy working as it should.

The branch continues to engage the community in a number of sponsorship ventures. Many of whom we now have long standing relationships with, and a number of new ones. Our partnerships range from schools, sporting groups and local charities and community groups. We thank these organisations for the opportunity to partner them in so many of their wonderful projects.

A big thank you needs to be given to staff who work for us at Cooroy. Thank you Hayley Turner, Simone Flavelle, Lucie Loginow, Barb Schilds and Corinne Richter. We did have a few staff that moved on from the branch during the year to pursue other interests. Thank you and best wishes to Angela Warren and Casey Pritchard.

We also have a number of bank staff who support us, thank you Garth Seymour (Regional Manager), Paul Hampson (Business Banker), Peter Bourke (Financial Planner), and Steve Rowe.

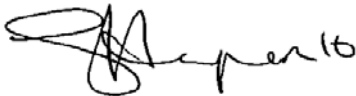
## Cooroy Manager's report continued

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Our Sunshine Coast Community Financial Services Board continued to guide and support our Cooroy **Community Bank**® Branch and I thank them for it.

I am really looking forward to the year ahead. I think we have a real opportunity to build on the business that we have here already. In saying this I need to sincerely thank our loyal customers and shareholders here at Cooroy who not only choose to bank with us but recommend us to their family, friends and business associates.

I look forward to working with you all in the year ahead.



**Fiona Hutchings**  
**Branch Manager, Cooroy**

# Marcoola Manager's report

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For year ending 30 June 2011



◀ From left to right: Lloyd Sloman, Stephen Hutchings, Judy Blackall, Carmen Knight and Julie Markillie.

The financial year 2010 to 2011 has certainly been a challenging time in the finance world both within Australia and overseas. Here on the Sunshine Coast, we have seen many businesses having to make the heartbreaking decision to close their doors or lay off staff. This combined with our local unemployment reportable higher than the average around Australia makes it very tough financially for a lot of people in our community.

I believe that Marcoola **Community Bank**<sup>®</sup> Branch is even more relevant and important now to our local economy and the community as a whole.

Why? Because we are founded on the belief of

“Successful customers and successful communities create a successful bank - in that order”

This belief returns us to the philosophy on which banking itself was founded - that the bank feeds into prosperity, not off it. The formula is so simple: you can't run a successful Company in a poor community, so it makes sense to invest in helping to create a wealthier, more cohesive and inclusive community.

The **Community Bank**<sup>®</sup> model creates economic value at the same time it helps communities address their needs and challenges. Profits as a result of the business that individuals or community organisations bring to Marcoola **Community Bank**<sup>®</sup> Branch are split, with its shareholders who are entitled to no more than 20 per cent and the rest of the profits are being ploughed into local community development.

This past financial year saw us support many local community projects and initiatives, some of which were the inaugural Marcoola Rocks Australia Day celebration at Marcoola Surf Club, Marcoola Coast Care's tree planting program to further populate the numbers of Yellow Trail Black Cockatoos in our area, the Coolum Community Celebration, North Shore Football Association, Twin Waters Resident's Association's Christmas Carols and Fireworks, Pacific Paradise State School sending much needed stationery from one school child to another in East Timor in our Shoe Box Program and many, many more.

Along with our Community focus the branch continues to grow in staff numbers and in business. At the start of the year we welcomed our new staff members of Lloyd, Stephen & Julie while we farewelled Hayley to be promoted to our Cooroy **Community Bank**<sup>®</sup> Branch and Renae who moved to different opportunities. The new team is highly customer focused and continues the tradition of welcoming our customers to the branch and contributing to our feel of friendly, professional service.

Business during the financial year, while slower than any previous years due to our economic climate, did achieve an overall growth of just over 12% with the highlight being the growth of our deposit holdings of 18%. Our number of accounts also grew by 6%, this was exciting as it means we have been able to reach more of our community.

## Marcoola Manager's report continued

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This growth would not have been possible without the support of our customers who have continued to do business with us as well as our many **Community Bank**<sup>®</sup> partners who have provided professional services to our customers and staff.

To those partners, Regional Manager Garth Seymour, Business Bankers Paul Hampson and Simon Knight, Financial Planner Peter Bourke and Regional Sales Lead Stephen Rowe, a big thank you.

This year was also our first full year of operation in our new location under the layout of a "Branch of the Future" which houses all the modern technical of a coin counting machine and a teller cash recycling machine. All the new equipment has made life much easier for our customers and staff and I believe through the removal of glass partitions has enabled us to be more relevant to our customers and our community.

Lastly, I would like to thank my Board Members Jay Pashley of North Shore Realty and Debbie Johnson of Building Green for the many hours of volunteer time they have spent working to ensure that this **Community Bank**<sup>®</sup> branch contributes back to the community of the North Shore.

As always,



**Judy Blackall**

**Branch Manager, Marcoola**



# Tewantin Manager's report

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For year ending 30 June 2011



◀ From left to right: Ben Baker, Sarah Vogler, Corinne Richter, Wayne Hoens, Fiona Lorking and Kerri Wright.

Another year has come and gone and whilst we are still waiting for the greater economy to improve, the Tewantin **Community Bank**<sup>®</sup> Branch has again had a successful year. Whilst we did see a reduction in our deposit holdings, this has been offset by our growth in lending - \$4.3 million for the year resulting in the total book overall finishing a little under \$62 million. Our total number of accounts now stands at 3,198 after opening a touch over 500 for the year. Overall, a good, solid result.

Our efforts have also been rewarded regionally in the winning of the Branch of the Month twice and receiving runner up on three occasions during the year.

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

Our current team of branch staff comprises of Fiona Dixon, Kerri Wright, Sarah Vogler and Ben Baker and this year we have added a new shared part time position with our Cooroy branch and Corinne Richter is in this role. We also have visiting specialists, Peter Bourke (Financial Planner) and Paul Hampson (Business Banking Manager). During the course of the year, Lloyd Sloman was promoted to the Customer Relationship Officer position at our Marcoola branch and Rosalie Horwood left to pursue a different path from banking.

The Tewantin **Community Bank**<sup>®</sup> Branch continues its great work in the community. We have long term sponsorships in place with the local State Schools, many sporting bodies, RSPCA, Cooloola Noosa Life Education Van & U3A to name just a few. Our East Timor shoe box programme in conjunction with Noosa Rotary (now in its third year) continues to grow and has now expanded to three participating schools in our region.

In 2011/12, we are commencing a new relationship with the Noosa Christian Outreach Church with the provision of a new Street Reach Van, and we are invigorating our sponsorship with Coastguard Noosa as they replace one of their vessels.

I am looking forward to the year ahead as we continue to build on the solid foundation that we have here in Tewantin. All of this is not possible without the support of our customers and shareholders and I thank you all for continuing to make your Tewantin **Community Bank**<sup>®</sup> Branch a great success.

  
**Wayne Hoens**  
Branch Manager, Tewantin

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2011

As **Community Bank**<sup>®</sup> shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation<sup>™</sup>, Community Sector Banking, Community Telco, Generation Green<sup>™</sup> and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**<sup>®</sup> Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

## Bendigo and Adelaide Bank Ltd report continued

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Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**<sup>®</sup> branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**<sup>®</sup> model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



**Russell Jenkins**  
**Executive Customer and Community**

# Directors' report

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For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

## Directors

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

**Frederick Charles Broomhall**

Director

Occupation: Property Developer

**Rick Cooper**

Director

Occupation: Retired

**Leonard Harold Daddow**

Director

Occupation: Automobile Dealer

**Jay Pashley**

Director

Occupation: Real Estate Agent

**Peter William Billingham**

Director

Occupation: Chartered Accountant

**Debra Megan Johnson**

Director

Occupation: Building Consultant

**Geoffrey Thomas Nicholls**

Director

Occupation: Retired

**Karla May Hobson** (resigned 27 August 2010)

Director

Occupation: Self Employed

**Diana Jane Henshall** (appointed 25 March 2011)

Director

Occupation: Self Employed

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

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

## Review of operations

The profit of the Company for the financial year after provision for income tax was \$224,514 (2010: \$279,029).

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Dividends paid or provided for in the year:		
- Final dividend for the year ended 30 June 2011	7.5	127,818

# Directors' report continued

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## **Significant events after the balance date**

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

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

## **Significant changes in the state of affairs**

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

## **Likely developments**

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

## **Remuneration report**

Other than detailed below no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a 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.

Billinghurst Martin Pty Ltd of which Peter Billinghurst is a partner received a fee of \$9,900 (2010: \$9,342) for accounting services provided to Sunshine Coast Community Financial Services for the year ended 30 June 2011.

## **Indemnification and insurance of Directors and Officers**

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

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

# Directors' report continued

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## Directors' meetings

The number of Directors' meetings attended during the year were:

<b>Director</b>	<b>Board meetings #</b>
Debra Megan Johnson	9 (10)
Frederick Charles Broomhall	9 (10)
Leonard Harold Daddow	8 (10)
Rick Cooper	9 (10)
Peter William Billinghamurst	9 (10)
Jay Pashley	9 (10)
Geoffrey Thomas Nicholls	10 (10)
Karla May Hobson (resigned 27 August 2010)	2 (2)
Diana Jane Henshall (appointed 25 March 2011)	2 (4)

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

## Company Secretary

Peter Billinghamurst has been the Company Secretary of Sunshine Coast Community Financial Services Limited since 2004. His qualifications and experience include being a chartered accountant who has worked in the accounting profession for approximately 28 years.

## Corporate governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

## Non Audit services

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

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

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

# Directors' report continued

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## **Auditor Independence Declaration**

The Directors received the following declaration from the Auditor of the Company:



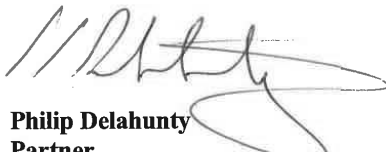
30 September 2011

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

Dear Directors

### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Sunshine Coast Community Financial Services Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Philip Delahunty**  
Partner  
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Cooroy on 30 September 2011.



**Peter Billinghamurst**  
Director

# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	2,200,362	2,020,666
Employee benefits expense	3	(941,411)	(810,192)
Charitable donations and sponsorship		(91,142)	(86,204)
Depreciation and amortisation expense	3	(99,059)	(76,334)
Finance costs	3	(3,437)	(2,936)
Other expenses	3	(738,437)	(648,459)
<b>Profit before income tax expense</b>		<b>326,876</b>	<b>396,541</b>
Income tax expense	4	(102,362)	(117,512)
<b>Profit after income tax expense</b>		<b>224,514</b>	<b>279,029</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>224,514</b>	<b>279,029</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	22	13.17	16.37
- diluted for profit for the year	22	13.17	16.37

The accompanying notes form part of these financial statements.



## Financial statements continued

### Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current assets</b>			
Cash and cash equivalents	6	681,452	379,854
Receivables	7	193,975	172,566
Other financial assets	8	13,020	7,873
<b>Total current assets</b>		<b>888,447</b>	<b>560,293</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	420,020	434,194
Deferred tax assets	4	39,678	81,572
Intangible assets	10	79,684	119,238
<b>Total non-current assets</b>		<b>539,382</b>	<b>635,004</b>
<b>Total assets</b>		<b>1,427,829</b>	<b>1,195,297</b>
<b>Current liabilities</b>			
Payables	11	176,747	96,885
Current tax payable	4	60,468	-
Loans and borrowings	13	5,185	4,495
<b>Total current liabilities</b>		<b>242,400</b>	<b>101,380</b>
<b>Non current liabilities</b>			
Loans and borrowings	13	15,713	20,898
<b>Total non current liabilities</b>		<b>15,713</b>	<b>20,898</b>
<b>Total liabilities</b>		<b>258,113</b>	<b>122,278</b>
<b>Net assets</b>		<b>1,169,716</b>	<b>1,073,019</b>
<b>Equity</b>			
Share capital	14	1,623,067	1,623,067
Accumulated losses	15	(453,351)	(550,048)
<b>Total equity</b>		<b>1,169,716</b>	<b>1,073,019</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		2,320,923	2,201,712
Cash payments in the course of operations		(1,853,268)	(1,743,520)
Interest paid		(3,437)	(2,936)
Interest received		15,023	9,466
<b>Net cash flows from operating activities</b>	<b>16b</b>	<b>479,241</b>	<b>464,722</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(45,331)	(247,196)
Payments for intangible assets		-	-
<b>Net cash flows used in investing activities</b>		<b>(45,331)</b>	<b>(247,196)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(127,817)	(127,817)
Proceeds from borrowings		(4,495)	25,393
<b>Net cash flows used in financing activities</b>		<b>(132,312)</b>	<b>(102,424)</b>
<b>Net increase in cash held</b>		<b>301,598</b>	<b>115,102</b>
Cash and cash equivalents at start of year		379,854	264,752
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<b>681,452</b>	<b>379,854</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Share capital</b>			
Balance at start of year		1,623,067	1,623,067
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>1,623,067</b>	<b>1,623,067</b>
<b>Accumulated losses</b>			
Balance at start of year		(550,048)	(701,260)
Profit after income tax expense		224,514	279,029
Dividends paid	23	(127,817)	(127,817)
<b>Balance at end of year</b>		<b>(453,351)</b>	<b>(550,048)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2011

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

Sunshine Coast Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

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

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

The financial statements were authorised for issue by the Directors on 30 September 2011.

### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company's financial statements.

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

#### Income tax

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

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

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

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

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

# Notes to the financial statements continued

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

### **Property, plant and equipment**

Property, plant and equipment are brought to account at cost or at independent Directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/revaluation. All property, plant and equipment is depreciated using the diminishing value method, with rates ranging from 2.5% to 30% per annum.

### Impairment

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

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

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

### **Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### **Goods and services tax**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

### **Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

# Notes to the financial statements continued

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

### **Employee benefits (continued)**

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Loans and borrowings**

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

### **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### **Share capital**

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

### **Comparative figures**

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

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 2. Revenue from continuing operations</b>		
Operating activities		
- services commissions	2,185,339	2,011,200
	<b>2,185,339</b>	<b>2,011,200</b>
<b>Non-operating activities:</b>		
- interest received	15,023	9,466
	<b>15,023</b>	<b>9,466</b>
	<b>2,200,362</b>	<b>2,020,666</b>

## Note 3. Expenses

### Employee benefits expense

- wages and salaries	820,994	705,891
- superannuation costs	68,576	62,544
- payroll tax	48,483	39,295
- workers' compensation costs	3,358	2,462
	<b>941,411</b>	<b>810,192</b>

### Depreciation of non-current assets:

- plant and equipment	59,505	36,780
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### Amortisation of non-current assets:

- intangibles	39,554	39,554
	<b>99,059</b>	<b>76,334</b>

### Finance costs:

- Interest paid	3,437	2,936
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### Administration expenses

- Rent	150,177	131,662
- Information technology related costs	87,589	83,242
- Other administration expenses	497,974	429,120
- Bad debts	2,697	4,435
	<b>738,437</b>	<b>648,459</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	98,063	118,962
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	4,299	(1,450)
<b>Current income tax expense</b>	<b>102,362</b>	<b>117,512</b>
<b>Income tax expense</b>	<b>102,362</b>	<b>117,512</b>

#### Deferred tax assets

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

<b>Income tax losses</b>	-	<b>41,894</b>
<b>Capital tax losses</b>	<b>39,678</b>	<b>39,678</b>
<b>Current tax payable</b>	<b>60,468</b>	-

### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	7,544	7,838
	<b>11,444</b>	<b>11,738</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>681,452</b>	<b>379,854</b>
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### Note 7. Receivables

<b>Trade debtors</b>	<b>193,975</b>	<b>172,566</b>
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### Note 8. Other financial assets

<b>Prepayments</b>	<b>13,020</b>	<b>7,873</b>
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## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 9. Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At cost	765,203	719,872
Less accumulated depreciation	(365,413)	(310,577)
	<b>399,790</b>	<b>409,295</b>
<b>Motor vehicle</b>		
At cost	29,364	29,364
Less accumulated depreciation	(9,134)	(4,465)
	<b>20,230</b>	<b>24,899</b>
<b>Total written down amount</b>	<b>420,020</b>	<b>434,194</b>
<b>Movements in carrying amounts</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning of year	409,295	223,778
Additions	45,331	217,832
Disposals	-	-
Depreciation expense	(54,836)	(32,315)
<b>Carrying amount at end of year</b>	<b>399,790</b>	<b>409,295</b>
<b>Motor vehicle</b>		
Carrying amount at beginning of year	24,899	-
Additions	-	29,364
Disposals	-	-
Depreciation expense	(4,669)	(4,465)
<b>Carrying amount at end of year</b>	<b>20,230</b>	<b>24,899</b>

## Note 10. Intangible assets

### Franchise fee

At cost	317,771	317,771
Less accumulated amortisation	(238,087)	(198,533)
	<b>79,684</b>	<b>119,238</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 11. Payables</b>		
Trade creditors	173,847	93,185
Other creditors and accruals	2,900	3,700
	<b>176,747</b>	<b>96,885</b>

### Note 12. Provisions

All branch staff are employees of Bendigo and Adelaide Bank Ltd.

### Note 13. Loans and borrowings

#### Current

<b>Chattel mortgage</b>	<b>5,185</b>	<b>4,495</b>
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#### Non-current

<b>Chattel mortgage</b>	<b>15,713</b>	<b>20,898</b>
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### Note 14. Share capital

1,672,988 Ordinary shares fully paid of \$1 each	1,672,988	1,672,988
31,250 Ordinary shares fully paid of \$1 each #	-	-
Less: Equity raising costs	(49,921)	(49,921)
	<b>1,623,067</b>	<b>1,623,067</b>

# 31,250 shares issued for nil consideration as bonus shares.

### Note 15. Accumulated losses

Balance at the beginning of the financial year	(550,048)	(701,260)
Dividend paid or provided for	(127,817)	(127,817)
Profit after income tax	224,514	279,029
<b>Balance at the end of the financial year</b>	<b>(453,351)</b>	<b>(550,048)</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 16. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
<b>Cash assets</b>	<b>681,452</b>	<b>379,854</b>
<b>(b) Reconciliation of profit after tax to net cash provided from operating activities</b>		
Profit after income tax	224,514	279,029
Non cash items		
- Depreciation	59,505	36,780
- Amortisation	39,554	39,554
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(26,556)	(9,932)
- Increase (decrease) in payables	79,862	1,779
- Increase (decrease) in income tax payable	60,468	-
- (Increase) decrease in deferred income tax asset	41,894	117,512
<b>Net cash flows from operating activities</b>	<b>479,241</b>	<b>464,722</b>

## Note 17. Director and related party disclosures

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

Frederick Charles Broomhall  
Leonard Harold Daddow  
Rick Cooper  
Peter William Billinghamhurst  
Jay Pashley  
Geoffrey Thomas Nicholls  
Karla May Hobson (resigned 27 August 2010)  
Debra Megan Johnson  
Diana Jane Henshall (appointed 25 March 2011)

Other than detailed below no Director or related entity has entered into a material contract with the Company.

Billinghurst Martin Pty Ltd of which Peter Billinghamhurst is a partner received a fee of \$10,755 (2010: \$9,342) for accounting services provided to Sunshine Coast Community Financial Services for the year ended 30 June 2011.

## Notes to the financial statements continued

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### Note 17. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2011</b>	<b>2010</b>
Frederick Charles Broomhall	32,350	32,350
Leonard Harold Daddow	8,201	8,201
Rick Cooper	26,993	26,993
Peter William Billinghamurst	1,051	1,051
Jay Pashley	20,000	20,000
Geoffrey Thomas Nicholls	12,513	12,513
Karla May Hobson (resigned 27 August 2010)	6,625	6,625
Debra Megan Johnson	15,000	15,000
Diana Jane Henshall (appointed 25 March 2011)	NIL	NIL

There was no movement in Director shareholdings during the year. Other than detailed below each share held has a paid up value of \$1 and is fully paid.

The above holdings are held personally or in associated entities.

The following Directors shares were issued for \$0 as part of the original bonus issue:

Frederick Charles Broomhall	200	200
Leonard Harold Daddow	200	200
Peter William Billinghamurst	100	100
Geoffrey Thomas Nicholls	548	548

### Note 18. Subsequent events

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

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

### Note 19. Contingent liabilities and assets

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

### Note 20. Segment reporting

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

# Notes to the financial statements continued

## Note 21. Corporate information

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

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

## Note 22. Earnings per share

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

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

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

<b>Profit after income tax expense</b>	<b>224,514</b>	<b>279,029</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>1,704,238</b>	<b>1,704,238</b>

## Note 23. Dividends paid or provided for on ordinary shares

### (a) Dividends paid during the year

Previous year final		
<b>Unfranked dividends - 7.5 cents per share (2010: 7.5 cents per share)</b>	<b>(127,817)</b>	<b>(127,817)</b>

The dividends paid during the year were unfranked.

## Note 24. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

## Notes to the financial statements continued

### Note 24. Financial risk management (continued)

#### (a) Credit risk

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

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

	Carrying amount	
	2011 \$	2010 \$
Cash assets	681,452	379,854
Receivables	193,975	172,566
	<b>875,427</b>	<b>552,420</b>

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

#### (b) Liquidity risk

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

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

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2011</b>					
Payables	237,216	(237,216)	(237,216)	-	-
Loans and borrowings	20,898	(25,606)	(7,887)	(17,719)	-
	<b>258,114</b>	<b>(262,822)</b>	<b>(245,103)</b>	<b>(17,719)</b>	<b>-</b>

## Notes to the financial statements continued

Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2010</b>					
Payables	96,885	(96,885)	(96,885)	-	-
Loans and borrowings	25,393	(33,493)	(7,887)	(25,606)	-
	<b>122,278</b>	<b>(130,378)</b>	<b>(104,772)</b>	<b>(25,606)</b>	<b>-</b>

### (c) Market risk

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

#### Interest rate risk

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

#### Sensitivity analysis

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

	Carrying amount	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	295,208	278,692
Financial liabilities	(20,898)	(25,393)
	<b>274,310</b>	<b>253,299</b>
<b>Variable rate instruments</b>		
Financial assets	262,517	84,120
Financial liabilities	-	-
	<b>262,517</b>	<b>84,120</b>
<b>Non interest bearing</b>		
Financial assets	32,691	17,042
Financial liabilities	-	-
	<b>32,691</b>	<b>17,042</b>

# Notes to the financial statements continued

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## Note 24. Financial risk management (continued)

### **(c) Market risk (continued)**

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

### **(d) Net fair values**

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

### **(e) Capital management**

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

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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



# Directors' declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.



**Peter Billinghamurst**  
**Director**

Signed at Cooroy on 30 September 2011

# Independent audit report

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF SUNSHINE COAST  
COMMUNITY FINANCIAL SERVICES LIMITED**

## **SCOPE**

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Sunshine Coast Community Financial Services Limited, for the year ended 30 June 2011.

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

## **Audit approach**

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

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

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

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

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

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

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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552  
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)  
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

## Independent audit report continued

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### ***INDEPENDENCE***

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

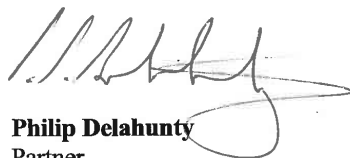
### ***AUDIT OPINION***

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

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

### **RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**Philip Delahunty**  
Partner  
Bendigo

Date: 30 September 2011

# BSX report

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## **For the year ended 30 June 2011**

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in the report are as follows.

- (a) The information is current as at 30 September 2011.
- (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.

### **Composition of the Board**

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

<b>Name</b>	<b>Position</b>
Peter William Billingham	Secretary
Geoffrey Thomas Nicholls	Director
Jay Pashley	Director
Leonard Harold Daddow	Director
Debra Megan Johnson	Director
Frederick Charles Broomhall	Director
Richard John Cooper	Director
Di Henshall	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.

## BSX report continued

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### Board responsibilities (continued)

- 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**<sup>®</sup> branches in the network.
- Provision of training opportunities for Directors to assist them with the discharge of their obligations.

### 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 754 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:

Number of shares held	Number of shareholders
1 - 1000	395
1,001 - 5,000	286
5,001 - 10,000	48
10,001 - 100,000	25
<b>Total</b>	<b>754</b>

- (h) The number of non marketable parcels less than \$500 was 13.
- (i) Ten largest shareholders

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

Shareholder	Number of shares	Percentage of capital
Thomas Leigh Pty Ltd as trustee for the Waring Family Superannuation Fund AC	57,109	3.35%
Murray William & Lyndal Jane Brown As trustee for Hinternoosa Super Fund A/C	45,501	2.67%
Winpar Holdings Limited	33,725	1.98%
Jill Maree Killen	30,000	1.76%

## BSX report continued

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(i) Ten largest shareholders (continued)

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage of capital</b>
Monika Wicklandt	27,500	1.61%
Richard Everritt Thorne	27,000	1.58%
Zedmont Pty Ltd as trustee for Cooper Collins Super Fund AC	26,993	1.58%
Jennifred Pty Ltd as trustee for Broomhall Super Fund A/C	26,674	1.57%
George William Perry	25,000	1.47%
Thomas Bransby Killen	23,125	1.36%

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

(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  
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Phone: (07) 5448 8582 Fax: (07) 5448 9689  
E-mail: marcoolamailbox@bendigobank.com.au

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Shop 1, 105 Poinciana Avenue, Tewantin QLD 4565  
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Franchisee:  
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