

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



annual report **2012**

Sunshine Coast Community
Financial Services Limited

ABN 12 100 576 261

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Chairman's report

For year ending 30 June 2012



I am pleased to report that your **Community Bank®** branch has enjoyed another successful year. Our business grew despite the difficult trading conditions on the coast. This year we are proud to celebrate our 10-year anniversary since the opening of Cooroy.

The overall banking environment

National banking industry observers have noted that there is a subdued demand for credit as well as mortgage life extending from some four years to six years. They note that foreign banks have shrunk, people are reducing their debt, retail is soft, and banks do not want to take risks. Also credit is tighter despite lower demand.

Impacting Australia is the European sovereign debt problem affecting even the growth economies like Australia. Sourcing overseas money has become more difficult and the Australian Dollar remains at high levels.

In summary, the finance sector is experiencing challenging times with some banks even attempting market share grab with profitless growth. Banking margins have been squeezed and hence the reluctance of banks to pass on full Reserve Bank interest rate reductions.

The Bendigo and Adelaide Bank outlook

The **Community Bank®** model is only 14 years old and growing rapidly. Twenty new branches opened last financial year bring the total **Community Bank®** branches to nearly 300. There are nearly some 600 branches in total when combined with Bendigo and Adelaide Bank company branches. Contributions from our national network of **Community Bank®** branches touch the lives thousands of local people each and every day. From million dollar projects to smaller local initiatives, each tells a unique story of community collaboration. A significant milestone of \$80 million in community contributions has now been achieved across Australia, expected to reach \$100 million by the financial year end.

Banks are critical to long term community success and sustainability:

It is our mantra that successful customers lead to successful communities which lead to successful banks. We are dependent on the success of our communities and our customers. We are now part of the 5th largest banking group in Australia.

Your local Community Bank® branch outlook

The Sunshine Coast is also facing challenging times with both the tourism and construction industries continuing to suffer from lack of investment, the high Australian Dollar and very poor weather conditions. I note several major projects are now close to commencement and the visitors seem to be returning as the weather has improved. Hopefully our local economy will see the benefits in the near future.

It was a year of consolidation for us. We aimed to increase our customer numbers, increase the size of our business, improve our customer services and keep tight control on our costs while at the same time deliver more community outcomes.

Chairman's report (continued)

Our community investment

The 2011/12 year was a largest ever for community contributions following on from our very successful and well attended community forums held in Cooroy, Tewantin and Marcoola. Together with dividends we have contributed \$1.15 million back to our communities with 53 separate organisations to be supported in the 2012/13 financial year. It is anticipated that by next year end our community contributions including dividends will have exceeded \$1.5 million since business commencement some 10 years ago.

Dividends

As noted in our last shareholder newsletter, dividends are calculated before community contributions. The Board is delighted to announce our dividend for 2011/12 is 9 cents per share and the first time we can have the dividend fully franked.

	2011/12 \$	2010/11 \$	2009/10 \$	2008/09 \$	2007/08 \$
Profit before tax	237,923	326,876	396,541	251,811	254,749
Profit after Tax	163,186	224,514	279,029	169,294	171,583
Earnings per Share	9.57 cents	13.17 cents	16.38 cents	9.93 cents	10.07 cents

We were able to update our Cooroy office during the year and have been pleased by our customer response.

I would like to take this opportunity to thank the volunteer Board for their unceasing support and contribution and commitment throughout the year. I am sad to advise that one of our founding Directors, Geoff Nicholls has recently resigned for personal reasons and I would like to thank him for his substantial contribution. Unfortunately Di Henshall also resigned and I would also like to thank her for her energy and commitment to the Board. We thank our junior Director observers Kirsty Cusack and Ayden Nicoll for their Board meeting attendance and support. We wish them well in their Noosa District high School final year exams.

My thanks also go to our Managers, Fiona Hutchings, Judy Blackall and Wayne Hoens for their continued efforts way over and above a normal working week. I thank our Regional Manger Garth Seymour, and our State Manger Noel Jessup and other Regional State and National Bendigo and Adelaide Bank staff for their continued support and assistance. Special thanks also to Ian Williams, our Community Connection and Marketing Manager for organising our ongoing local press media and PR. This year saw our very successful regional TV campaign featuring actor John Jarratt who is a proud customer as well.

I would like to thank each and every shareholder for supporting your **Community Bank**[®] branch and I look forward to more positive news as the year unfolds. Keep your eye open for stories in the local press as we support more community outcomes. And please consider bringing some or all of your banking over to us if you haven't already done so. The more you bank with us, the more successful we can be for you and your community.



Rick Cooper
Chairman

Our staff

Cooroy **Community Bank**[®] Branch staff left to right: Lucie Loginow, Karl Doss, Barbara Schilds, Helen Whitby, Hayley Saunders and Fiona Hutchings.



Marcoola **Community Bank**[®] Branch staff left to right: Lloyd Sloman, Stephen Hutchings, Judy Blackall, Carmen Knight and Julie Markillie.



Tewantin **Community Bank**[®] Branch staff left to right: Wayne Hoens, Kerri Wright, Sarah Vogler, Ben Baker and Simone Flavelle.

Cooroy Manager's report

For year ending 30 June 2012

It seems like it was just yesterday that I was reporting on our previous year. Twelve months does go by very quickly.

Tighter financial times have seen a number of businesses change hands in Cooroy. We have also seen some terrific new retailers open up in the area. Cooroy Township and area continues to display great community spirit and unity, with our residents welcoming the new owners warmly and shopping locally.

Our branch has now been open in excess of nine years. We continue to attract new customers who want to bank with us. In many cases people just want to move their banking to us from their current provider.

Feedback we receive regarding why people choose to bank with us is fantastic. The reasons range from wanting to escape to a smaller more personal bank where you know your Manager and staff and can contact them directly to one of their friends or colleagues recommending our services after a terrific experience.

But by far this year we have seen people coming to us because of our partnerships within the community. The projects supported with our profits are making a difference and people are making the decision to change banks. What a great result!

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

2011/12 has seen a solid performance from our Cooroy branch. Total growth of business book was around 4%. Profits continued to increase. Total business book finished year at \$89.571 million.

The branch performed well within the Sunshine Coast Region. We won Branch of the Month in July, September and April. We received an award for Outstanding Effort in Loan Applications Processed for the financial year. Branch of the Year went to Caloundra **Community Bank**[®] Branch – well done to them.

Our team here at Cooroy remain the vital ingredient to our success. Thanks to Hayley Saunders, Lucie Loginow, Barbara Schilds and Helen Whitby. Thank you also to Simone Flavelle and Michelle Harris who were with us initially then both promoted to a positions at our Tewantin and Buderim branches. Good work girls.

I also make additional thanks to our regional support network - Garth, Paul, Peter and Steve, who are always eager to assist where and when possible.

Our Board of Directors continue to be great advocates of the branch and are always on hand to assist, so thank you to them.

Thank you Ian Williams, our Community Connection Manager for his tireless efforts with the promotion of our unique banking model.

Thanks for a great year everyone!



Fiona Hutchings
Branch Manager

Marcoola Manager's report

For year ending 30 June 2012

As I sit down to write my Manager's Report on the year that was 2011/12 I can't help but think of that old saying- "What a difference a day makes!" Because I firmly believe it should now be a new saying - "What a difference the **Community Bank**[®] branch makes!"

The past year has seen many community groups, clubs, not for profit organisations benefit from the continued growth of their Marcoola **Community Bank**[®] Branch, thanks to the support of all our customers and you our shareholders.

It truly never ceases to amaze me after working in the banking industry for some 40 plus years that as the 5th largest bank in Australia, Bendigo and Adelaide Bank continues to remain relevant to its customers, connected to its communities, returns profits back to local economies and dividends to its community shareholders. Hence my remark "What a difference a **Community Bank**[®] branch makes!"

As throughout the Sunshine Coast Region business has been challenging in the current climate, however Marcoola branch has been able to achieve an overall growth in business for the year of 6.5% with the highlight being just over 19% growth in our loans. This is pleasing to see as it means we are helping customers into homes or cars or purchases that are wanted by them. Indeed we had quite a few First Home Buyers entering into the market, something I have not seen for quite sometime in our local area.

Marcoola **Community Bank**[®] Branch held its first Community Forum at the North Shore Community Centre in April 2012 with the original Community Forum being cancelled due to a deluge of rain causing flooding of homes, community property and roads. Shannon, the North Shore Community Centre Manager, and her committee made us feel so very welcome and over 100 people from Peregrin Beach to Pacific Paradise attended to contribute their ideas on how we as a **Community Bank**[®] branch could contribute to our communities. Some of the projects identified on that night are starting to formulate into outcomes for our communities; more information will be coming out in the next few months on these projects.

Another first for Marcoola **Community Bank**[®] Branch is our Facebook site. For those of you who enjoy the social networking cyberspace search for us in Facebook under "Marcoola Community Bank" and catch up on all our news. We post regularly what is happening in and around the area or if you wish to share some community events or ideas it is a great way to share what is happening in our community.

In closing, I along with my staff Lloyd, Carmen, Stephen, Julie and my support team, Regional Manager Garth, Financial Planner Peter and Business Banker Paul look forward to another year of returning profits to our community.

Thank you to my local Board members Jay Pashley and Debbie Johnson who give of their time to "make a difference."



Judy Blackall
Branch Manager

Tewantin Manager's report

For year ending 30 June 2012

Tewantin **Community Bank**[®] Branch continues to go from strength to strength and the 2011/12 has been another successful year. Our overall book increased by \$3 million for the year and we now stand at almost \$65 million in total footings. We have increased our number of accounts to 3,347 and this on the back of 574 new accounts for the year. We are also doing more with our customers and have increased our products per customer to 1.8 on average.

In this year's Branch of the Year across the Region's 11 Branches, we achieved a first ever podium finish with a third place. This is a couple better than the year before and streets ahead of any other year. Hopefully this year we can go one or two places better!

The fruit of our success is the great work we are able to do in the community. We have long term sponsorships in place with the local State Schools, many sporting bodies, RSPCA, Street Reach Van, Noosa Chorale Society and Noosa Coastguard to name just a few. This year we have commenced new relationships with Noosa Arts Theatre and the Noosa Winter Festival through the Bendigo and Adelaide Bank's Family Bike Ride.

In March, we held our first ever Community Forum at the Tewantin State School's new hall. It was a great event with over 100 people coming together from numerous like minded groups across our locality to discuss the needs and wishes of our community. Identified projects totalled 120 plus and the forum attendees narrowed these needs to a "Top 5".

I am very pleased to say, that the Tewantin **Community Bank**[®] Branch has since committed to assisting two of these projects which will see the Cooloola Noosa Life Education obtain a new van and the Noosa Coastguard achieve an upgrade to their radio equipment. Both of these projects are due to be completed later this year. Additionally, another top 5 project is the young driver road safety programme and we are working closely with Rotary to determine how we may be able to assist in the future.

The Forum was a great success and whilst we would have liked to have been able to assist with more projects, logistically this is not possible. However, as we continue to grow and be successful in our business, more funds will become available and we will be able to assist more worthy causes.

A great part of our success is due to our dedicated team who consistently strive to do their best and make banking an enjoyable experience for our customers. Our current team is Simone Flavelle, Kerri Wright, Sarah Vogler, Ben Baker and Helen Whitby (who we share with our Cooroy branch) and I would like to thank them for their great efforts during the year.

I would also like to thank our shareholders and our customers for their continued support as they not only choose to bank with us but also act as our advocates in their daily dealings by recommending our **Community Bank**[®] branch. The best compliment that you can give us is a referral to your family, friends and business associates. Our sign at the Tewantin Noosa Cricket Club really does say it all - "Bank with us and everyone benefits". I love it!



Wayne Hoens
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**[®] branches – 295
- **Community Bank**[®] branch staff – more than 1,400
- **Community Bank**[®] branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 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.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

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



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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

Board member since May 2002

Rick Cooper

Director

Occupation: Retired

Board member since November 2006

Leonard Harold Daddow

Director

Occupation: Automobile Dealer

Board member since May 2002

Jay Pashley

Director

Occupation: Real Estate Agent

Board member since February 2004

Peter William Billingham

Director

Occupation: Chartered Accountant

Board member since May 2002

Debra Megan Johnson

Director

Occupation: Building Consultant

Board member since November 2008

Geoffrey Thomas Nicholls

Director

Occupation: Retired

Board member since May 2002

(Resign August 2012)

Diana Jane Henshall

Director

Occupation: Self Employed

Board member since March 2011

(Resign August 2012)

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**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

Operating results

The profit of the company for the financial year after provision for income tax was \$154,974 (2011: \$224,514).

Financial position

The net assets of the company have increased by \$18,635 from 30 June 30 2011 to \$1,188,351 in 2012.

Directors' report (continued)

Dividends	Year Ended 30 June 2012	
	Cents Per Share	\$
Dividends paid or provided for in the year:		
- Final dividend for the year ended 30 June 2012	8.0	136,339

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

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.

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 \$11,205 (2011: \$9,900) for accounting services provided to Sunshine Coast Community Financial Services for the year ended 30 June 2012.

Directors' report (continued)

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

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

Director	Board meetings#
Debra Megan Johnson	9 (11)
Frederick Charles Broomhall	9 (11)
Leonard Harold Daddow	10 (11)
Rick Cooper	9 (11)
Peter William Billinghamurst	8 (11)
Jay Pashley	11 (11)
Geoffrey Thomas Nicholls	10 (11)
Diana Jane Henshall	8 (11)

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.

Directors' report (continued)

Non audit services

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 14 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Cooroy on 19 October 2012.



Peter Billinghamurst
Director

Auditor's independence declaration



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19 October 2012

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

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 2012 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

A handwritten signature in black ink, appearing to read "P. Delahunty", written over a horizontal line.

Philip Delahunty
Partner
Dated at Bendigo, 19 October 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	2,297,505	2,200,362
Contract payments to BBL	3	(1,092,420)	(941,411)
Depreciation and amortisation expense	3	(103,413)	(99,059)
Finance costs	3	(5,099)	(3,437)
Other expenses	3	(650,164)	(738,437)
Operating profit/(loss) before charitable donations & sponsorships		446,409	418,018
Charitable donations and sponsorship		(220,217)	(91,142)
Profit/(loss) before income tax expense		226,192	326,876
Income tax expense / (benefit)	4	(71,218)	(102,362)
Net profit/(loss) for the year		154,974	224,514
Other comprehensive income		-	-
Total comprehensive income for the year		154,974	224,514
Earnings per share (cents per share)			
- basic for profit for the year	22	9.09	13.17
- diluted for profit for the year	22	9.09	13.17

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	701,032	681,452
Receivables	7	192,872	193,975
Other financial assets	8	8,007	13,020
Total current assets		901,911	888,447
Non-current assets			
Property, plant and equipment	9	435,969	420,020
Deferred tax assets	4	39,678	39,678
Intangible assets	10	40,130	79,684
Total non-current assets		515,777	539,382
Total assets		1,417,688	1,427,829
Liabilities			
Current liabilities			
Payables	11	157,118	176,747
Current tax payable	4	11,932	60,468
Loans and borrowings	13	12,212	5,185
Total current liabilities		181,262	242,400
Non current liabilities			
Loans and borrowings	13	48,075	15,713
Total non current liabilities		48,075	15,713
Total liabilities		229,337	258,113
Net assets		1,188,351	1,169,716
Equity			
Issued capital	14	1,623,067	1,623,067
Accumulated losses	15	(434,716)	(453,351)
Total equity		1,188,351	1,169,716

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		2,494,793	2,320,923
Cash payments in the course of operations		(2,207,814)	(1,853,268)
Interest paid		(5,099)	(3,437)
Interest received		34,212	15,023
Income tax paid		(119,754)	-
Net cash flows from operating activities	16b	196,338	479,241
Cash flows from investing activities			
Payments for property, plant and equipment		(79,808)	(45,331)
Payments for intangible assets		-	-
Net cash flows used in investing activities		(79,808)	(45,331)
Cash flows from financing activities			
Dividends paid		(136,339)	(127,817)
Proceeds from borrowings		39,389	(4,495)
Net cash flows used in financing activities		(96,950)	(132,312)
Net increase in cash held		19,580	301,598
Cash and cash equivalents at start of year		681,452	379,854
Cash and cash equivalents at end of year	16a	701,032	681,452

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Issued capital			
Balance at start of year		1,623,067	1,623,067
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		1,623,067	1,623,067
Accumulated losses			
Balance at start of year		(453,351)	(550,048)
Profit after income tax expense		154,974	224,514
Dividends paid	23	(136,339)	(127,817)
Balance at end of year		(434,716)	(453,351)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(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 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. 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 have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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

The financial statements were authorised for issue by the Directors on 19 October 2012.

(b) 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.

(c) 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/reevaluation. All property, plant and equipment is depreciated using the diminishing value method, with rates ranging from 2.5% to 30% per annum.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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.

(f) Employee benefits

The company pays contract payments to Bendigo and Adelaide Bank for the provision of branch staff. There is no liability for annual leave or long service leave in the financial statements as there is no obligation for Sunshine Coast Community Financial Services Limited to pay out any accrued benefits accumulated. The obligation to pay out any benefits accrued lives with Bendigo and Adelaide Bank. The wages and salaries expense disclosed in the Statement of Financial Performance relates solely to the amounts charged by Bendigo and Adelaide Bank through the monthly profit share statement.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

(n) 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.

(o) Comparative figures

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating 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.

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount 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.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 \$	2011 \$
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	2,263,293	2,185,339
	2,263,293	2,185,339
Other revenue		
- interest received	34,212	15,023
	34,212	15,023
	2,297,505	2,200,362

Note 3. Expenses

Contract payment - Employee benefits expense

- wages and salaries	953,040	820,994
- superannuation costs	80,294	68,576
- payroll tax	52,799	48,483
- workers' compensation costs	6,287	3,358
	1,092,420	941,411
Depreciation of non-current assets:		
- plant and equipment	63,859	59,505
Amortisation of non-current assets:		
- intangible assets	39,554	39,554
	103,413	99,059
Finance costs:		
- Interest paid	5,099	3,437

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses (continued)		
Administration expenses		
- Rent	139,400	150,177
- Information technology related costs	100,881	87,589
- Other administration expenses	397,677	497,974
- Bad debts	12,206	2,697
	650,164	738,437

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%	67,858	98,063
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	3,360	4,299
Income tax expense	71,218	102,362
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.		
Capital tax losses	39,678	39,678
Current tax payable	11,932	60,468

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,750	3,900
- Share registry services	4,798	7,544
	9,548	11,444

Note 6. Cash and cash equivalents

Cash at bank and on hand	701,032	681,452
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The effective interest rate on short term bank deposits was 4.8%

Note 7. Receivables

Trade debtors	192,872	193,975
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Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 8. Other financial assets		
Prepayments	8,007	13,020

Note 9. Property, plant and equipment

Plant and equipment

At cost	799,320	765,203
Less accumulated depreciation	(419,206)	(365,413)
	380,114	399,790

Motor vehicle

At cost	75,055	29,364
Less accumulated depreciation	(19,200)	(9,134)
	55,855	20,230

Total written down amount	435,969	420,020
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Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	399,790	409,295
Additions	34,118	45,331
Disposals	-	-
Depreciation expense	(53,794)	(54,836)
Carrying amount at end of year	380,114	399,790

Plant and equipment

Carrying amount at beginning of year	20,230	24,899
Additions	45,691	-
Disposals	-	-
Depreciation expense	(10,066)	(4,669)
Carrying amount at end of year	55,855	20,230

Note 10. Intangible assets

Franchise fee

At cost	317,771	317,771
Less accumulated amortisation	(277,641)	(238,087)
	40,130	79,684

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 11. Payables		
Trade creditors	154,218	173,847
Other creditors and accruals	2,900	2,900
	157,118	176,747

Note 12. Provisions

All branch staff are employees of Bendigo and Adelaide Bank.

Note 13. Borrowings

Current

Chattel mortgage	12,212	5,185
Non-current		
Chattel mortgage	48,075	15,713

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)
	1,623,067	1,623,067

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

The company has issued share capital amounting to 1,704,238 ordinary shares.

Note 15. Accumulated losses

Balance at the beginning of the financial year	(453,351)	(550,048)
Dividend paid or provided for	(136,339)	(127,817)
Profit after income tax	154,974	224,514
Balance at the end of the financial year	(434,716)	(453,351)

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 16. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	701,032	681,452
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	154,974	224,514
Non cash items		
- Depreciation	63,859	59,505
- Amortisation	39,554	39,554
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	6,116	(26,556)
- Increase (decrease) in payables	(19,629)	79,862
- Increase (decrease) in income tax payable	(48,536)	60,468
- (Increase) decrease in deferred income tax asset	-	41,894
Net cash flows from operating activities	196,338	479,241

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 Billingham
Jay Pashley
Geoffrey Thomas Nicholls
Debra Megan Johnson
Diana Jane Henshall

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 Billingham is a partner received a fee of \$11,205 (2011: \$10,755) for accounting services provided to Sunshine Coast Community Financial Services for the year ended 30 June 2012.

Notes to the financial statements (continued)

Note 17. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Frederick Charles Broomhall	26,674	26,674
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
Debra Megan Johnson	15,000	15,000
Diana Jane Henshall	-	-

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:

	2012	2011
Frederick Charles Broomhall	-	200
Leonard Harold Daddow	-	200
Peter William Billinghamurst	-	100
Geoffrey Thomas Nicholls	-	548

Note 18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Notes to the financial statements (continued)

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Sunshine Coast, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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 National Stock Exchange.

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

	2012	2011
	\$	\$

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:

Profit after income tax expense	154,974	224,514
Weighted average number of ordinary shares for basic and diluted earnings per share	1,704,238	1,704,238

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

Previous year final		
Unfranked dividends - 8 cents per share (2011: 7.5 cents per share)	(136,339)	(127,817)

The dividends paid during the year were unfranked.

Notes to the financial statements (continued)

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
Financial assets			
Cash & cash equivalents	6	701,032	681,452
Receivables	7	192,872	193,975
Total financial assets		893,904	875,427
Financial liabilities			
Payables	11	157,118	176,747
Loans and borrowings	13	60,287	20,898
Total financial liabilities		157,118	176,747

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 company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

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	
	2012 \$	2011 \$
Cash and cash equivalents	701,032	681,452
Receivables	192,872	193,975
	893,904	875,427

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.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

30 June 2012	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment				
Payables	(157,118)	(157,118)	-	-
Loans and borrowings	60,287	12,212	48,075	-
Total expected outflows	(96,831)	(144,906)	48,075	-
Financial assets - cashflow realisable				
Cash & cash equivalents	701,032	701,032	-	-
Receivables	192,872	192,872	-	-
Total anticipated inflows	893,904	893,904	-	-
Net (outflow)/inflow on financial instruments	797,073	748,998	48,075	-

30 June 2011	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment				
Payables	(176,747)	(176,747)	-	-
Loans and borrowings	20,898	5,185	15,713	-
Total expected outflows	(155,849)	(171,562)	15,713	-
Financial assets - cashflow realisable				
Cash & cash equivalents	681,452	681,452	-	-
Receivables	193,975	193,975	-	-
Total anticipated inflows	875,427	875,427	-	-
Net (outflow)/inflow on financial instruments	719,578	703,865	15,713	-

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	535,093	364,089
Financial liabilities	60,287	20,898
	595,380	384,987
Floating rate instruments		
Financial assets	165,939	317,364
Financial liabilities	-	-
	165,939	317,364

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

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 2012 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

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 of the company as set out on pages 15 to 33 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 2012 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.



Peter Billinghamurst
Director

Signed at Cooroy on 19 October 2012

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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Bendigo, Victoria
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***INDEPENDENT AUDIT 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 2012, the statement of 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 for the year ended 30 June 2012.

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 is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Association

Partners:

Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Independent audit report (continued)

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.

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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants


Philip Delahunty
Partner

Dated at Bendigo, 19 October 2012

NSX report

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

- (a) The information is current as at 18 October 2012.
- (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:

Name	Position
Peter William Billingham	Secretary
Jay Pashley	Director
Leonard Harold Daddow	Director
Debra Megan Johnson	Director
Frederick Charles Broomhall	Director
Richard John Cooper	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.
- 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**[®] branches in the network.
- Provision of training opportunities for Directors to assist them with the discharge of their obligations.

NSX report (continued)

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 714 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 to 1,000	378
1,001 to 5,000	267
5,001 to 10,000	41
10,001 to 100,000	28
100,001 and over	0
Total shareholders	714

- (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	Number shares	Percentage capital
Thomas Leigh Pty Ltd As Trustee for <The Waring Family Superannuation Fund A/C>	57,109	3.35%
Murray William & Lyndal Jane Brown as Trustee for <Hinternoosa Super Fund A/C>	45,501	2.67%
Richard Everritt Thorne	39,000	2.28%
Winpar Holdings Limited	33,725	1.97%
George William Perry	30,000	1.76%
Jill Maree Killen	30,000	1.76%
Monika Wicklandt	27,500	1.61%
Zedmont Pty Ltd As Trustee for <Cooper Collins Super Fund A/C>	26,993	1.57%
Jennifred Pty Ltd As Trustee for <Broomhall Super Fund A/C>	26,774	1.56%
Northern Suburbs Secretarial Services Pty Ltd As Trustee for <Juleton A/C>	25,675	1.50%

NSX report (continued)

Monitoring of the Board's performance (continued)

- (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 Mclvor Road,
Bendigo VIC 3552
Phone (03) 5443 1177

5 Year summary of performance

	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$
Gross revenue	1,540,056	1,756,592	2,020,666	2,200,361	2,297,504
Net profit before tax	254,748	251,811	396,541	326,876	226,192
Total assets	920,432	1,016,192	1,195,298	1,412,607	1,426,579
Total liabilities	82,783	94,383	122,278	242,892	238,227
Total equity	837,649	921,807	1,073,018	1,169,715	1,188,352
Earnings per share	10.06¢	9.99¢	16.37¢	13.17¢	9.57¢



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