SUNSHINE COAST COMMUNITY FINANCIAL SERVICES LIMITED

2020 ANNUAL REPORT

Community Bank

Financial Report For the year Ended 30 June 2020

ABN: 12 100 576 261

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Sunshine Coast Community Financial Services Limited

Chairman's Report
For year ending 30 June 2020

Our Company Vision

To be the best customer connected bank in our region.

Our Purpose
To be your bank supporting our communities

Company Transformation
The board is proud for us to be selected as the first Bendigo Community Bank in Australia to commence transformation into a customer focused bank of the future.

The company has been undergoing this process for some months with exciting changes for the company during the 2021 financial year including:

- The board is delighted to welcome Tristan Scott who joined us in September 2020 as group Senior Manager to oversee our four branches and implement plans and processes to enable the company to meet its growth expectations and strategies into the future.
- Appointment of our first Business Development Manager, and we welcome back Kerryn Vincart to this position.
- Appointment of a Local Engagement Officer to better engage with our local community and we welcome Zoe Reinke who commenced in August 2020.
- Development of a new organisational structure to enable branches to better service our customers. The objective is to run our four branches as one company instead of the silo approach experienced by the existing structure. Some resources will be shared, and some centralised. Loan processing will be transferred to a central hub headed by Lisa Young who has transferred from Tewantin Branch. Congratulations to Lisa on her appointment. This strategy will aim to free our staff from important paperwork, meaning there is more time for meaningful customer engagement.
- A changed role for Ian Williams who will be working with our community on a part time basis to identify Major Legacy and Hero Projects to which we can direct our shared community profits, giving a benefit not only to recipients in the short term, but also into the future.
- Sponsorships will have a more professional approach including an expectation of mutual benefit.

There are still some structural changes to come including improvements to the branch operating rhythm. We hope to be finished this stage of the transformation closer to Christmas 2020.

All in all, the board is excited by these developments which will increase the size and capability of our branches to grow our profits so that we can invest even more into our communities.

Cooroy Branch Refurbishment

The company completed its second branch transformation project in Cooroy after the last of the big four closed its doors. Like Tewantin it is a bright, friendly, modern customer-focused branch with community space for local artworks and product displays.

All local shareholders are invited to visit our transformed branches in Tewantin and Cooroy. Please feel free to introduce yourself to our staff and say hello.

Sunshine Coast Community Financial Services Limited

COVID-19

Like most local businesses, the global pandemic has been a real challenge for staff, customers and the Company. To be COVID-19 safe, many constraints were implemented as well as in-branch community activities being curtailed. Staff had the added pressure of dealing with stressed customers.

I would like to thank and congratulate all our staff for coping so well with the COVID-19 situation and operating within the changed circumstances to look after our customers in the best possible way.

The financial risks associated with COVID-19 are regularly monitored by our Finance Committee. As previously advised to the National Stock Exchange where the company is listed, there is minimal impact envisaged at this time.

Retiring Director

We were sad to lose the last of our original Directors namely Jay Pashley who worked so hard and so long for his community in Marcoola. We wish Jay all the best for the future and thank him for an extraordinary job as a board member.

Year-end 30th June 2020 results

Defying trends reported by other sectors of the banking industry, our profit after tax increased by over 12%. Pleasingly the footings, revenue, community benefit, number of accounts, number of customers, profit before tax and community benefit, all grew compared to the previous year.

This is an outstanding result and I thank the staff and Directors for their contribution.

Sunshine Coast Community Financial Services Limited

Financial Snapshot since 2008/9 onwards

Financial Snapshot

	Shareholder Dividends Cents per $1 Share	Community Benefit $000	Gross Revenue $000	Profit pre tax/ Community Benefit $000	Profit before Tax $000	Profit After Tax $000
2008/9	5	45	1,757	297	252	169
2009/10	7.5	86	2,021	483	397	279
2010/11	8	91	2,200	418	327	224
2011/12	9.5	220	2,298	446	226	163
2012/13	8.15	198	2,389	486	288	200
2013/14	7.64	159	2,316	320	161	111
2014/15	6	128	2,430	340	212	147
2015/16	7	140	2,545	311	171	114
2016/17	6.5	214	2,740	486	272	183
2017/18	5	163	2,965	462	300	215
2018/19	4.5	180	3,227	473	293	204
2019/20	4.5	207	3,309	528	322	229
	79.29	**1,831**				

Statistics

We did see growth in the size of our book but we experienced a higher than normal number of loan paydowns and discharges. Customer numbers increased but the impact of five months of COVID-19 restrictions was evident. Interestingly, but not surprisingly, there was a decrease in over the counter transactions as customers changed their banking habits to use the internet.

Statistical Snapshot

	Footings (Book)	Footings Growth	Account Numbers	Customer Numbers	Counter Transactions
2015/16	330	26	12,869	9,194	75,675
2016/17	360	30	13,463	9,492	75,861
2017/18	403	43	14,669	10,377	78,783
2018/19	456	53	16,125	11,016	82,295
2019/20	468	12	17,275	11,254	72,231

Growth

We have continued to set ourselves ambitious growth targets. The more we grow the greater our revenue and in turn, the greater the profits available for us to re-distribute back into our communities. By growing, we will be providing more community focused banking that improves the financial security and successes of our customers. We particularly want to review methods by which we can attract new and long-term customers in the small business and millennial segments, while increasing our share of the younger family demographic.

Too many of our customers are not getting the full benefit of what we can offer, and we wish to progressively address this by the continued development of improved customer engagement.

People

We will be allocating time and effort to make sure our Branch Managers and their staff receive the best possible support we can provide. There will be increased staff training throughout the year. We know we can do better in this area and are actively working with the Bendigo Bank team at the present time.

On behalf of the board I need to thank all our staff, and especially our Branch Managers, for their contributions to the business and the local communities in which their branches operate. They spend many hours after work and weekends supporting their community activities, and we really appreciate their efforts. We would especially like to thank Mark Gielis (Marcoola) and Sam Atholwood (Cooroy) for stepping into the Relief Branch Manager roles as we go through the process of restructuring.

Sunshine Coast Community Financial Services Limited

Governance and Culture

During the past year, the Board has continually focused on the key areas which it believed some effort was required. They included,

a) Making sure our organisation has sufficient resources to manage growth
b) Making sure we have the right people, in the right numbers in the right roles
c) Making sure we have a culture across our business that reflects Bendigo Bank's brand promise and importantly we are always treating our customers in a fair and transparent manner, and,
d) Ensuring successful implementation of our transformation to our new organisational structure to achieve our longer-term growth objectives.

Treating our customers fairly and transparently is an overriding priority.

The Board

Following best practice, we continually review the skill sets available to the Board against the priority objectives we have set the business. We are fortunate to have such a high-quality Board of Directors which is allowing us to work with Bendigo corporate to upgrade and rework many legacy processes which need modernisation. Significant progress has been made on many fronts including the restructuring of Board committees, and I am grateful for all our Directors who provide considerable time and effort on the business.

During the year it was agreed Directors should receive a modest increase of some $200 to their monthly fees to partly compensate for out of pocket expenses including travelling costs and to offset their considerable amount of time and effort and risks of being so actively involved in our business. I am very aware that many directors provide support way in excess of this amount, and modest compensation is more than well merited. Your Directors remain primarily volunteers, and the amount of time and effort received from all our Directors is enormously appreciated.

I thank all the directors for their contribution, input, and many hours of work to ensure the continued wellbeing of the company, and especially those who chair Board Committees. I thank Deputy Chair Elizabeth Reynolds for stepping in so capably when necessary.

I would like to thank our Board administrator Lou Vincart for all his hard work and dedication over the last year.

Controls and Risk Management

Our Community Bank enjoys an excellent relationship with Bendigo Bank. We adopt, and are reliant on, their process, standards and controls. These have held us in good stead over many years. The Board has progressively worked through a number of potential risk areas to make sure we fully understand each risk and how they can best be mitigated. As both Bendigo Bank and the Board work through our change program, we aim to fully understand any risks that changes may create, and ensure we understand the required checks and balances involved. To us, good governance and effective risk management is a key to ensuring our customers get great, but also safe, services.

Board reporting is now streamlined and efficient. Our central archive is as secure as possible and working well in our decision-making processes.

Our Community Engagement

Our community benefit has now exceeded $1.8million – a figure of which we are intensely proud.

We have a clear duty of care to make sure we invest these funds wisely and to support projects which clearly will make for a better community both short and long term.

Sunshine Coast Community Financial Services Limited

I would like to thank Ian Williams, our previous Marketing and Community Connections Manager for his efforts over the last 12 months in supporting our Managers and our Sponsors and especially during his time on extended leave.

Marketing

Bendigo Corporate Bank has just embarked on a far-reaching national brand and product marketing plan both in traditional and digital mediums. It is hoped that this proactive campaign will increase customer enquiries and brand awareness. It is worth noting that Bendigo and Adelaide Bank is continually listed as one of the top 10 most trusted brands in Australia, and we would like to do our part in keeping it there.

Other thanks

Thanks again must go to all the Corporate Staff, both State and National at Bendigo Bank, who have helped and supported us over the last year. Specifically, I would like to thank our Regional Manager Rohan Quirey and State Manager Gavin Holden who have both provided us with significant support and resources.

Rick Cooper, Chair

Dated this 13th day of September 2020

Tewantin Noosa Manager's Report for year ending 30 June 2020

The 2019/2020 financial year has not only been exciting, it has also been challenging for everyone at the Tewantin Noosa Community Bank. The branch has now been trading for a little over 17 years and this last year our business has grown by just under $12M which takes our footings to $121M. We have opened 815 new accounts which equate to net growth in our customer base of over 4.5% year on year. We are proudly now looking after over 3,500 customers.

This year has been challenging as locally and nationally, we have experienced and survived the devastating bushfires. Our customers, community partners and staff had not quite recovered from the bushfires when the COVID-19 global pandemic, literally brought the country to a standstill overnight. As an "essential service" we kept out branch open through the national lockdown, though social distancing did see it look very different. I am very proud of my team and how they pulled together to continue to take care of our customers in these unprecedented times.

COVID-19 has affected almost all our community partners, which has seen many community functions cancelled, this continues to be the case.

We have in this last year strengthened our community partnerships with some amazing groups such as Sunshine Butterflies, Noosa Pirates Rugby League Club, Noosa Dolphin's Rugby Union Club, and the Noosa Heads Surf Life Saving Club.

I would like to thank the SCCFSL Board and Ian Williams for the many hours of work they contribute in supporting us and our community groups.

As always, it is a team effort contributing to our continued success, through this challenging year, our dedicated branch staff have dug very deep to provide a genuinely caring experience to our customers. Our current team is Lisa Young, Kerri Wright, Kristin Stuber, Sue Bamford, Alison Mills, Maria Mitchell, and Ella Dawes. I would like to thank each one of them for their commitment and support.

Finally, I would like to thank our shareholders and customers for their continued support as they not only choose to bank with us but also to act as our advocates in their daily dealings by personally recommending our products and services.

The best compliment that anyone can give us is a referral to you family, friends, and business associates.

I look forward to seeing you around town or perhaps at a networking event as and when they recommence.

Linda Oliver
Branch Manager
Tewantin Noosa Branch

Cooroy and Pomona Manager's Report for Year ending 30 June 2020

As Acting Senior Branch Manager, I am responsible for the operations of Cooroy and Pomona Branches which are closely aligned Branches within the SCCFSL Community Branch network, sharing resources and working together.

This has been a successful year for the Branches with combined footings of $205mill as at June 30th 2020, Cooroy $174mill and Pomona $31mill respectively and new Customers for Cooroy increasing to 4,262 and Pomona 741.

December 2019 was an exciting time for Cooroy Branch with the opening of our newly refurbished Branch, which reflects the Branch of the Future model designed by Bendigo Bank. Customers love the new spacious modern Branch surroundings. As a result of the increased floor space, the Branch is now a showcase for local Artists, with exhibits in the Branch changing every 6 weeks. We also have a space for local Businesses to create a promotional display, with a new business on display each month.

December 2019 was also the month the Commonwealth Bank closed their Cooroy Branch and removed their ATM machine, effectively withdrawing all local services from our Community. I believe this has strengthened our reputation and relationship within the local Community, as we continue to promote our commitment to providing local banking in Cooroy, and indeed Pomona where we are the only bank in Town.

During the triumphs and challenges of the year, I would like to thank the SCCFSL Board for the support they are always willing to offer our Branch staff and community. I would also like to acknowledge our staff in Cooroy and Pomona branches including Jo-Anne Winter, Meredith Mason, Sheridan Gallaway, Cindy Hazeldene, Trent Kirkwood and Jackie Drummond for their dedication to our customers.

Finally, to our valued shareholders and customers I offer my thanks for your continued support and advocacy, which looking forward into 2021 will ensure our continued success, and commitment to providing local banking services to the people in Cooroy, Pomona and surrounds.

Samantha Atholwood
Acting Senior Branch Manager
Cooroy and Pomona

Marcoola Manager's Report for Year ending 30 June 020

Although 2019/20 has seen unprecedented changes and challenges it has still been another great year at Marcoola Community branch.

The branch was able to contribute more than $50,000 to assist Not for Profit groups in the North Shore/Coolum area with positive community outcomes. Our three surf life saving clubs at Coolum, Marcoola and Mudjimba receive our financial support and strong business relationships continue. We contributed substantial funds to the upgrade of the Mudjimba clubhouse. Financial support and strong relationships were also fostered with Coolum Business & Tourism, Coolum District Netball, Coolum Hearts, Mudjimba Community Kindergarten, North Shore community centre, Pacific Paradise and Coolum State schools P&Cs, Coolum Theatre Players, Twin Waters Residents Association just to name a few.

Some of the event highlights we supported were Home Loan appreciation night, North Shore Christmas, Twin Waters carols, under 8's day, Marcoola Rocks and our branch always features in musicals and play productions through Coolum Theatre Players.

We saw some changes with pioneer of Marcoola Community Branch board member Jay Pashley finally hanging up his boots as a director on the board. Jay basically was the driving force in establishing the branch at Marcoola and he served on the board for 15 years. Thanks again Jay.

Our Branch Manager Kerryn Vincart finished in December 2019 as she dipped her toe into politics. Good news is Kerryn has returned in August 2020 as our new Business Development Manager.

We continue to receive great support from the board who give up their time and provide amazing energy to the business. The board have a clear vision and direction and we look forward to exciting times. Tony Freeman flies the flag for our Marcoola branch. Tony is always camera ready in hand for an event photo and he keeps his ear open for community news. Thanks Tony.

Thanks to the Marketing Committee for keeping our story and contribution known in the community. Thanks to Lou Vincart for his diverse range of support that he brings to the branch and SCCFSL.

The branch had a book value of $141 million at end of the financial year which was a fantastic result considering the COVID-19 impacts and interest rate squeeze. The branch had significant profitability through this period. I would like to give a big shout out to the staff at Marcoola who adapted to the change of management and turned up every day during COVED19 to help our customers through the financial stresses during this crazy time. Stephen and Donna went above and beyond to help our customers and be a shoulder to cry on, if needed. Maria and Bronwyn as our part-timers were always willing to support the team and cover any gaps.

Thanks also to our Working Together team (Regional Management, Business banking, Protection specialist, Financial planners etc) who helped contribute to the branch success. Karl Doss as relief helped the team through the transition as well.

We look forward to the board's strategy being implemented in 2020/21 to achieve even greater growth which will ultimately lead to increased positive community contributions.

Mark Gielis
Acting Branch Manager - Marcoola

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year are:

Rick Cooper
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Rick was National Manager for Australia's largest computer service company then Principal and owner of a successful Tewantin real estate business which was sold in 2007. Rick has held positions on multiple community boards. He joined SCCFSL as a director in November 2006.
Special responsibilities: Finance and Audit Committee
Interest in shares: 30,093 ordinary shares

David Green
Non-executive director
Occupation: Retired Accountant
Qualifications, experience and expertise: After assisting small business operators on the Sunshine Coast for over 29 years with all accounting needs and business advisory requirements, David has retired to a more peaceful life enabling time with family and travelling with wife Carol.
Special responsibilities: Chairman - Finance and Audit Committee
Interest in shares: 10,000 ordinary shares

Elizabeth Reynolds
Non-executive director
Occupation: Retired Lawyer
Qualifications, experience and expertise: Elizabeth has been a director since 2013 and is Deputy Chair. Qualified as a Barrister & Solicitor Elizabeth has practised, as both, in commercial and corporate law in NZ, London and Australia. Until recently was the principal of Reynolds Lawyers. She has been an executive director of Tourism Noosa Ltd for many years and a director of the Noosa Biosphere Ltd.
Former directorships: Noosa Tourism Ltd
Special responsibilities: Deputy Chair, Chair Sponsorship and Marketing Committee
Interest in shares: nil share interest held

Guy Hamilton
Non-executive director
Occupation: Board & Business Adviser
Qualifications, experience and expertise: Guy has held multiple senior management roles in financial services associated with developing or restructuring businesses in 20+ countries covering segments from Consumer Finance through to Corporate and Institutional Banking. He has had a 35-year career with HSBC Group and lived and worked in 9 countries.
Special responsibilities: HR Committee
Interest in shares: nil share interest held

Directors *(Continued)*

Tony Freeman
Non-executive director
Occupation: Retired Business Manager
Qualifications, experience and expertise: Tony has a background in consumer marketing with experience in financial service, food, fashion, pharmaceuticals, toiletries and furniture. He worked for some large local and international companies. Tony is President of his local resident's association and has been a member of Rotary for 29 years in Sydney, Brisbane and the Sunshine Coast.
Former directorships: Pine Rivers Community Finance Limited
Special responsibilities: HR Committee, Sponsorship and Marketing Committee
Interest in shares: nil share interest held

Patricia Radge
Non-executive director
Occupation: Business Manager
Qualifications, experience and expertise: B.Bus., Personnel Management Graduates course. Trish is owner and Business Manager of The Chartist, a stock market advisory service based in Noosa. Trish's expertise lies in compliance, business management and small business development.
Special responsibilities: Finance and Audit Committee
Interest in shares: nil share interest held

Toby Bicknell
Non-executive director
Occupation: Human Resources Consultant
Qualifications, experience and expertise: Since graduating from the University of NSW in 1989, Toby's business experience has included capital markets, financial services, telecommunications, healthcare, pharmaceuticals and more recently tourism, hospitality and leisure. Certificate of Governance Practice
Special responsibilities: HR Committee
Interest in shares: nil share interest held

Jay Pashley
Non-executive director (resigned 26 April 2020)
Occupation: Real Estate Agent
Qualifications, experience and expertise: Jay is the owner of North Shore Realty, and has been a Director of SCCFSL since February 2004.
Special responsibilities: Marketing Committee
Interest in shares: 20,000 ordinary shares

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

No directors have material interest in contracts or proposed contracts with the company.

Sunshine Coast Community Financial Services Limited

Company Secretary
The company secretary is Patricia Radge. Patricia was appointed to the position of secretary on 1 June 2018. Qualifications, experience and expertise: Patricia holds a Bachelor of Business and her experience includes managing a small financial services company since April 2000.

Principal activity
The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results
The profit of the company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2020	30 June 2019
$	$
229,231	204,826

Operating and Financial Review

Overview of the company

The company is a franchisee of Bendigo Bank providing financial products and services to individuals, businesses and organisations throughout the local area via the Sunshine Coast Community Bank. While the branches offer the full suite of Bendigo & Adelaide Bank Limited products and services, margin earnings from firstly loans and then deposits are the predominant contributor to company results.

The general nature of the business market for the company remains challenging and issues commented upon for the prior three financial years continue to persist. The company continues to endure historically low cash rates set by the Reserve Bank of Australia that have resulted in a corresponding decline in interest paid on deposit accounts, continuing the trend of lower than anticipated margins for this product group. Moreover, the market competition for home and other loans has made it difficult to achieve budgeted targets. The company continues to encourage staff to actively pursue new customers and product offerings to offset the intense competition from major financial service providers in the marketplace.

Key metrics:

Five-year summary of performance	Unit	2020	2019	2018	2017	2016
Operating revenue	$	3,132,008	3,062,607	2,965,087	2,740,341	2,544,781
Earnings before interest, tax, depreciation, and amortisation	$	653,978	485,888	485,888	419,700	323,263
Earnings before interest and tax	$	431,904	373,528	371,705	317,808	215,847
Net profit after tax	$	229,231	204,826	215,175	182,718	113,831
Total assets	$	4,139,916	3,870,254	3,384,962	2,386,689	2,245,724
Total liabilities	$	2,579,195	2,347,843	1,982,165	1,088,292	1,010,748
Total equity	$	1,560,721	1,522,411	1,402,797	1,298,397	1,234,976
Net cash flow from operating activities	$	591,218	950,068	353,654	273,501	256,488
Business footings[1]	$m	468	456	403	360	330

Shareholder Returns

Profit attributable to owners of the company	$	229,231	204,826	215,175	182,718	113,831
Basic earnings per share	₵	13.45	12.02	12.63	10.72	6.68
Dividends paid	$	76,691	85,215	110,775	119,297	102,255
Dividends per share	₵	4.50	5.00	6.50	7.00	6.00
Net tangible assets per share	₵	82.00	77.13	68.67	66.60	64.82
Price earnings ratio	₵	13.45	12.02	12.63	10.72	6.68
Share price	₵	97.00	97.00	97.00	90.00	91.00

[1] This is a non-IFRS measure of the business domiciled to the company from the franchisor. The footings is the underlying business which generates revenue under the Franchise Agreement. Business footings include loans, deposits, wealth products, and other business.

Returns to shareholders increased through both dividends and capital growth. Dividends for 2020 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Financial position

The company continued to improve profitability for the financial year ended 30 June 2020 with higher revenues as well as tighter cost control and as a result, the financial position of the company has also improved and remains relatively strong. Containment of costs during a period of lower margins remains a strong focus.

The cash and cash equivalents position of the company reduced for the reporting year by $373,811 for a year-end balance of $151,416. During the period an additional $300,000 was contributed to our mortgage loans which can be redrawn as required. The company continues to build a resilient balance sheet, ending June 2020 with net assets of $1,560,721 and gross debt (excluding leases) of $1,696,958.

Gearing increased from the prior financial year to 105% from 94%. The company's target gearing range is 80%-90%, which was adjusted as a result of adopting AASB 16 Leases from 1 July 2019 bringing $632,672 on to the balance sheet.

Drivers of business performance

The results for the 2019/20 financial year have been driven mainly by steady growth in mortgage lending resulting in revenue growth of 2%. Net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia.

In addition, COVID-19 greatly impacted the Australian economy in the second half of the financial year. The immediate impact is not expected to be significant in the current reporting results. Future reporting periods may see an increase in bad debt charges.

Business strategies

To address the current stage of development of the business and in recognition of the current financial circumstances, both in the economy and the observed impact upon the Bendigo profit share model, the Board has determined to continue the focus upon five broad directions:

Strengthening our connection and level of engagement between important stakeholders and partners.
Strengthening our Directors role in our business structure and key customer and community segments.
Defining our future board skill and diversity mix and a structure that will deliver our Strategic Plan.

Focusing our business on the most profitable growth opportunities using our own local marketing plans.
Planning to achieve our future business performance expectations.

Future outlook

The company believes there are opportunities to develop additional revenue through:
Acquiring additional customers through greater community based events and a focus on local businesses.
Improving the range and number of products and services, such as insurance, for each customer.
The company anticipates that current market conditions will remain challenging during the forthcoming financial year. In this environment the company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability.

Remuneration report

Compensation for directors was announced to shareholders on 31 May 2019 to begin on 1 July 2019. This takes the form of re- imbursing directors for out-of-pocket expenses such as travel, computer costs and printing. The base for the chairperson is $6,000 per annum. The base for other directors is $3,600 per annum.

Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

Remuneration including superannuation for the financial year ended 30 June 2020

	2020 $	2019 $
Non-executive director remuneration		
Rick Cooper	5,450	-
David Green	3,600	-
Elizabeth Reynolds	3,800	-
Guy Hamilton	3,600	-
Tony Freeman	3,600	-
Patricia Radge	3,600	-
Toby Bicknell	3,600	-
Jay Pashley	-	-
Total	27,000	-

Directors' interests

Director	Balance at Start of the year	Changes during the year	Balance at end of the year
Rick Cooper	26,993	3,100	30,093
David Green	10,000	-	10,000
Elizabeth Reynolds	-	-	-
Guy Hamilton	-	-	-
Tony Freeman	-	-	-
Toby Bicknell	-	-	-
Patricia Radge	-	-	-
Jay Pashley	20,000	-	20,000

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount $
Final fully franked dividend	4.50	76,691
Total amount	4.50	76.691

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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' meetings

The number of directors' meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board Meetings Attended		Committee Meetings Attended	
	Eligible	*Attended*	*Eligible*	*Attended*
Rick Cooper	12	11	5	5
David Green	12	12	5	5
Elizabeth Reynolds	12	11	5	4
Guy Hamilton	12	11	5	5
Tony Freeman	12	12	5	5
Toby Bicknell	12	12	5	5
Patricia Radge	12	12	5	5
Jay Pashley	10	7	5	5

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the directors at Tewantin, Queensland.

Rick Cooper, Chair

Dated this 13th day of September 2020

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Sunshine Coast Community Financial Services Limited

As lead auditor for the audit of Sunshine Coast Community Financial Services Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 September 2020

Joshua Griffin
Lead Auditor

Sunshine Coast Community Financial Services Limited

Sunshine Coast Community Financial Services Limited Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2020			
	Notes	2020 $	2019 $
Revenue from contracts with customers	8	3,132,008	3,062,607
Other revenue	9	177,042	163,528
Finance income	10	337	433
Employee benefit expenses	11c)	(1,778,769)	(1,717,207)
Charitable donations, sponsorship, advertising and promotion		(206,603)	(270,531)
Occupancy and associated costs		(90,728)	(220,297)
Systems costs		(154,118)	(129,248)
Depreciation and amortisation expense	11a)	(222,074)	(112,360)
Finance costs	11b)	(109,708)	(81,029)
General administration expenses		(425,191)	(403,397)
Profit before income tax expense		322,196	292,499
Income tax expense	12a)	(92,965)	(87,673)
Profit after income tax expense		229,231	204,826
Total Comprehensive income for the year attributable to the ordinary shareholders of the company		229,231	204,826
Earnings per share		¢	¢
Basic and diluted earnings per share	31a)	13.45	12.02

Sunshine Coast Community Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020	2019
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	151,416	373,811
Trade and other receivables	14a)	112,071	75,660
Current tax assets	18a)	233	13,766
Total current assets		263,720	463,237
Non-current assets			
Property, plant and equipment	15a)	3,240,849	3,195,108
Right-of-use assets	16a)	472,140	-
Intangible assets	17a)	152,215	211,909
Deferred tax asset	18b)	10,992	-
Total non-current assets		3,876,196	3,407,017
Total assets		4,139,916	3,870,254
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	144,858	669,227
Loans and borrowings	20a)	224,917	45,460
Lease liabilities	21b)	30,600	-
Employee benefits	23a)	39,683	32,175
Total current liabilities		440,058	746,862
Non-current liabilities			
Trade and other payables	19b)	59,329	123,951
Loans and borrowings	20b)	1,472,041	1,473,089
Lease liabilities	21c)	589,187	-
Provisions	22a)	18,580	-
Deferred tax liability	18b)	-	3,941
Total non-current liabilities		2,139,137	1,600,981
Total liabilities		2,579,195	2,347,843
Net assets		1,560,721	1,522,411
EQUITY			
Issued capital	24a)	1,623,067	1,623,067
Accumulated losses	25	(62,346)	(100,656)
Total equity		1,560,721	1,522,411

Sunshine Coast Community Financial Services Limited
Statement of Changes in Equity
as at 30 June 2020

	Notes	Issued Capital	Accumulated Losses	Total equity
		$	$	$
Balance at 1 July 2018		1,623,067	(220,270)	1,402,797
Total comprehensive income for the year		-	204,826	204,826
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(85,212)	(85,212)
Balance at 30 June 2019		1,623,067	(100,656)	1,522,411
Balance at 1 July 2019		1,623,067	(100,656)	1,522,411
Effect of AASB 16: Leases	3d)	-	(114,230)	(114,230)
Total comprehensive income for the year		-	229,231	229,231
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(76,691)	(76,691)
Balance at 30 June 2020		1,623,067	(62,346)	1,560,721

Sunshine Coast Community Financial Services Limited
Statement of Cash Flows
for the year end 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		3,594,586	3,488,585
Payments to suppliers and employees		(2,780,655)	(2,358,223)
Interest received		337	433
Interest paid		(76,917)	(81,029)
Lease payments (interest component)	11b)	(32,697)	-
Lease payments not included in the measurement of lease liabilities	11d)	(75,973)	-
Income taxes paid		(37,463)	(99,698)
Net cash provided by operating activities	26	591,218	950,068
Cash flows from investing activities			
Payments for property, plant and equipment		(798,793)	(611,262)
Payments for intangible assets		(89,930)	(58,020)
Net cash used in investing activities		(888,723)	(669,282)
Cash flows from financing activities			
Proceeds from loans and borrowings		585,000	-
Repayment of loans and borrowings		(406,590)	(31,959)
Lease payments (principal component)	21a)	(26,609)	-
Dividends paid	30a)	(76,691)	(85,215)
Net cash provided by/(used in) financing activities		75,110	(117,174)
Net cash increase/(decrease) in cash held		(222,395)	163,612
Cash and cash equivalents at the beginning of the financial year		373,811	210,199
Cash and cash equivalents at the end of the financial year	13a)	151,416	373,811

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
For the year end 30 June 2020

Note 1 Reporting Entity

This is the financial report for Sunshine Coast Community Financial Services Limited (the company). The company is a for profit entity limited by shares and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
114 Poinciana Avenue Tewantin QLD 4565	114 Poinciana Avenue Tewantin QLD 4565

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance
The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 13 September 2020.

Note 3 Changes in accounting policies, standards, and interpretations

The company initially applied AASB 16 Leases from 1 July 2019. AASB Interpretation 23 Uncertainty over Income Tax Treatments is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the company leases assets including property and IT equipment. The company previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

The company recognises lease and non-lease components such as outgoings separately.

Leases classified as operating leases under AASB 117

Previously, the company classified property, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The company leases out its investment property. The company has classified these leases as operating leases. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	475,113
Deferred tax asset	18b)	43,329
Liability		
Lease Liabilities	21a)	(632,672)
Equity		
Accumulated losses		(114,230)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	417,509
Add: additional options now expected to be exercised	622,937
Less: AASB 117 lease commitments reconciliation	(135,804)
Less: present value discounting	(281,735)
Less: other adjustments to present value on transition	9,765
Lease liability as at 1 July 2019	632,672

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15. *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue Stream	Includes	Performance Obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligations to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin
Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus, any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission
Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company and is a significant judgement area.

Fee Income
Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Core banking products
Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return
Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue Stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
All revenue is stated net of the amount of Goods and Services Tax (GST).	

Discretionary financial contributions
In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost
During the financial year, in response to the COVID-19 outbreak, Boosting Cash Flow For Employers (Corona virus economic response package) Act 202) *CFB Act)* was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

c) Economic dependency – Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.
All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit

cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

d) Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Superannuation contribution plans
The company contributes to a superannuation contribution plan. Obligations for superannuation contributions to contribution plans are expensed as the related service is provided.

Contributions to a superannuation contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits
The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

Current Income Tax
Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred 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 tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of GST, except:
- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.
- when 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value

g) Property, plant, and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation
Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Building	Straight-line	40 years
Leasehold improvements	Straight-line and diminishing value	5 to 40 years
Plant and equipment	Straight-line and diminishing value	2 to 40 years
Motor vehicles	Diminishing value	5 to 6 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement
Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation
Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings, and leases.

Sub-note i) and j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI -debt investment; FVTOCI -equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets at amortisation	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets
At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

k) Issued capital

Ordinary shares
Ordinary shares are 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.

l) 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost. The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019
At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered, on or after 1 July 2019.

<u>As a lessee</u>
At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The company recognises lease and non-lease components such as outgoings separately.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<u>Short-term leases and leases of low-value assets</u>

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

<u>As a lessor</u>

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the company is an intermediate lessor in an arrangement of significant value, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating lease.
If an arrangement contains lease and non-lease components, then the company applies AASB 16 to allocate the consideration in the contract.

The company applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(I)). The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Policy applicable before 1 July 19
For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

<u>As a lessee</u>
In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

<u>As a lessor</u>
When the company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease. To classify each lease, the company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note		Judgement	
Note 8 - revenue recognition		whether revenue is recognised over time or at a point in time;	
Note 21 - leases:			
a)	control	a)	whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b)	lease term	b)	whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c)	discount rates	c)	judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Notes	Judgement
Note 8 - revenue recognition	Estimate of expected returns;
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial Risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

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, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.
The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

		Contractual cash flows			
Non-derivative financial liability	Carrying amount	Total	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,696,958	1,696,958	224,917	736,021	736,021
Lease liabilities	619,787	839,452	59,543	246,709	533,200
Trade payables	11,597	11,597	11,597	-	-
	2,238,342	2,548,007	296,057	982,730	1,269,211

30 June 2019

		Contractual cash flows			
Non-derivative financial liability	Carrying amount	Total	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,518,549	1,518,549	45,460	736,545	736,545
Trade payables	17,898	17,898	17,898	-	-
	1,536,447	1,536,447	63,358	736,545	736,545

a) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of $151,416 at 30 June 2020 (2019: $373,811). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 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 distributions 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.

The distribution limit is the greater of:

a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where 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 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	3,132,008	3,062,607
	3,132,008	3,062,607
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	2,659,013	2,600,968
- Fee income	238,601	231,740
- Commission income	234,394	229,899
	3,132,008	3,062,607

There was no revenue from contracts with customers recognised over time during the financial year.

Note 9 Other revenue

The company generates other sources of revenue from rental income from owned investment properties, cash flow boost from the Australian Government and discretionary contributions received from the franchisor.

Other revenue	2020 $	2019 $
Revenue:		
- Rental income	46,421	46,971
- Market development fund income	97,500	101,667
- Cash flow boost	30,888	-
- Other income	2,233	14,890
	177,042	163,528

Note 10 Finance Income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

Finance income	2020	2019
	$	$
At amortised cost	337	433
Term deposits	337	433

Note 11 Expenses

a) Depreciation and amortisation expense

Depreciation of non-current assets:	2020	2019
	$	$
- Buildings	43,181	23,436
- Leasehold improvements	19,879	8,924
- Plant and equipment	62,409	21,324
- Motor vehicles	1,728	2,126
	127,197	55,810
Depreciation of right-of-use assets		
- Leased land and buildings	35,183	-
	35,183	-
Amortisation of intangible assets:		
- Franchise fee	59,694	56,550
	59,694	56,550
Total depreciation and amortisation expense	222,074	112,360

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

b) Finance costs

Finance costs:	Note	2020	2019
		$	$
- Bank loan interest paid or accrued		76,917	81,018
- Lease interest expense	21a)	32,697	-
- Unwinding of make-good provision		94	-
- Other		-	11
		109,708	81,029

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Employee benefit expenses

	2020	2019
	$	$
Wages and salaries	1,486,901	1,414,412
Contributions to superannuation contribution plans	136,116	129,972
Expenses related to long service leave	(849)	-
Other expenses	156,601	172,823
	1,778,769	1,717,207

d) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	75,973	-
	75,973	-

Expenses relating to leases exempt from recognition are included in systems costs and general administration expenses.

The company pays for the right to use information technology equipment and indoor plants. The underlying assets have been assessed as low value and exempted from recognition.

e) Other expenses

	2020 $	2019 $
- Sale of property, plant and equipment	14,914	26,622

Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss

Current tax expense	2020 $	2019 $
- Current tax	64,569	53,710
- Movement in deferred tax	(15,677)	33,172
- Adjustment to deferred tax on AASB 16 retrospective application	43,329	-
- Reduction in company tax rate	634	-
- Changes in estimates related to prior years	110	791
	92,965	87,673

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $634 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit before taxation	322,196	292,499
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	88,604	80,437
Tax effect of:		
- Non-deductible expenses	12,109	6,445
- Non-assessable income	(8,494)	-
- Temporary differences	(27,650)	-
- Movement in deferred tax	(15,677)	-
- Leases initial recognition	43,329	-
- Reduction in company taxrate	634	-
- Under/(over) provision of income tax in the prior year	110	791
	92,965	87,673

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
- Cash at bank and on hand	136,845	359,524
- Term deposits	14,571	14,287
	151,416	373,811

Note 14 Trade and other receivables

	2020 $	2019 $
- Trade receivables	96,229	48,789
- Prepayments	13,342	14,471
- Other receivables and accruals	2,500	12,400
	112,071	75,660

Note 15 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Land		
At cost	645,000	645,000
Buildings		
At cost	1,727,177	1,727,177
Less: accumulated depreciation	(142,667)	(99,486)
	1,584,510	1,627,691
Leasehold improvements		
At cost	695,476	575,367
Less: accumulated depreciation	(43,754)	(23,875)
	651,722	551,492
Plant and equipment		
At cost	797,279	812,934
Less: accumulated depreciation	(437,662)	(451,224)
	359,617	361,710
Motor vehicles		
At cost	-	45,692
Less: accumulated depreciation	-	(36,477)
	-	9,215
Total written down amount	3,240,849	3,195,108

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

Reconciliation of carrying amounts	2020 $	2019 $
Land		
Carrying amount at beginning	645,000	645,000
Carrying amount at end	645,000	645,000
Buildings		
Carrying amount at beginning	1,627,691	1,651,127
Depreciation	(43,181)	(23,436)
Carrying amount at end	1,584,510	1,627,691

b) Reconciliation of carrying amounts *(continued)*	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	551,492	82,950
Additions	120,109	477,466
Depreciation	(19,879)	(8,924)
Carrying amount at end	651,722	551,492
Plant and equipment		
Carrying amount at beginning	361,710	275,860
Additions	75,230	133,796
Disposals	(14,914)	(26,622)
Depreciation	(62,409)	(21,324)
Carrying amount at end	359,617	361,710
Motor vehicles		
Carrying amount at beginning	9,215	11,341
Disposals	(7,487)	-
Depreciation	(1,728)	(2,126)
Carrying amount at end	-	9,215
Total written down amount	3,240,849	3,195,108

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 16 Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

a) Carrying amounts	2020 $	2019 $
Leased land and buildings		
At cost	712,006	-
Less: accumulated depreciation	(239,866)	-
Total written down amount	472,140	-

b) Reconciliation of carrying amounts			
Leased land and buildings	Note	2020 $	2019 $
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	679,796	-
Accumulated depreciation on adoption	3d)	(204,683)	-
Remeasurement adjustments		32,210	-
Depreciation		(35,183)	-
Carrying amount at end		472,140	-

Note 17 Intangible assets

a) Carrying amounts	2020 $	2019 $
Franchise fee		
At cost	803,067	803,067
Less: accumulated amortisation	(650,852)	(591,158)
Total written down amount	152,215	211,909

b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	211,909	202,540
Additions	-	65,919
Amortisation	(59,694)	(56,550)
Carrying amount at end	152,215	211,909
Total written down amount	152,215	211,909

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

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Note 18 Tax assets and liabilities

a) Current tax	2020	2019
	$	$
	(233)	(13,766)

b) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

Deferred tax assets	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
- expense accruals	4,128	(549)	-	3,579
- employee provisions	8,848	1,470	-	10,318
- make-good provision	-	4,831	-	4,831
- lease liability	-	(12,841)	173,985	161,144
- carried-forward capital losses	36,481	(2,093)	-	34,388
Total deferred tax assets	49,457	(9,182)	173,985	214,260
Deferred tax liabilities				
- deductible prepayments	2,537	(378)	-	2,159
- property, plant and equipment	50,861	27,492	-	78,353
- right-of-use assets	-	(7,900)	130,656	122,756
Total deferred tax liabilities	53,398	19,214	130,656	203,268
Net deferred tax assets (liabilities)	(3,941)	(28,396)	43,329	10,992

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	5,191	(1,063)	-	4,128
- employee provisions	4,919	3,929	-	8,848
- carried-forward capital losses	36,482	(1)	-	36,481
Total deferred tax assets	46,592	2,865	-	49,457
Deferred tax liabilities				
- deductible prepayments	2,615	(78)	-	2,537
- property, plant and equipment	13,955	36,906	-	50,861
Total deferred tax liabilities	16,570	36,828	-	53,398
Net deferred tax assets (liabilities)	30,022	(33,963)	-	(3,941)

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 19 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities	2020 $	2019 $
Trade creditors	11,597	17,898
Other creditors and accruals	133,261	651,329
	144,858	669,227
b) Non-current liabilities		
Other creditors and accruals	59,329	123,951
	59,329	123,951

Note 20 Loans and borrowings

a) Current liabilities	2020 $	2019 $
Secured bank loans	224,917	45,460
	224,917	45,460
b) Non-current liabilities		
Secured bank loans	1,472,041	1,473,089
	1,472,041	1,473,089

c) Terms and repayments schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face Value	Carrying value	Face Value	Carrying Value
Secured bank loans	3.26%-3.52%	2033-2035	1,696,958	1,696,958	1,518,549	1,518,549

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio
The company's lease portfolio includes:

Marcoola branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in April 2009. An extension option term of five years was exercised in April 2019. The lease has two further five-year extension options available. The company is reasonably certain to exercise the final five-year lease terms.
Pomona branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in April 2017. The lease has two further five-year extension options available. The company is reasonably certain to exercise the final five-year lease terms.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	632,672	-
Remeasurement adjustments		13,724	-
Lease payments - interest		32,697	-
Lease payments		(59,306)	-
		619,787	-

b) Current lease liabilities

	2020	2019
Property lease liabilities	59,543	-
Unexpired interest	(28,943)	-
	30,600	-

c) Non-current lease liabilities	2020 $	2019 $
Property lease liabilities	779,909	-
Unexpired interest	(190,722)	-
	589,187	-

d) Maturity analysis		
- Not later than 12 months	59,543	-
- Between 12 months and 5 years	246,709	-
- Greater than 5 years	533,200	-
Total undiscounted lease payments	839,452	-
Unexpired interest	(219,665)	-
Present value of lease liabilities	619,787	-

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $6,284

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	59,306	(59,306)	-
- Depreciation and amortisation expense	-	35,183	35,183
- Finance costs	-	32,791	32,791
Increase in expenses - before tax	59,306	8,668	67,974
- Income tax expense / (credit) - current	(16,309)	16,309	-
- Income tax expense / (credit) - deferred	-	(18,693)	(18,693)
Increase in expenses – after tax	42,997	6,284	49,281

Note 22 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	18,580	-
	18,580	-

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	2020 $	2019 $
Balance at the beginning	-	-
Present value unwinding	94	-
Provision remeasurements	18,486	-
	18,580	-

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

In addition, during the financial year, the company has re-assessed the estimates and assumptions. The company has prepared further detailed estimates of the expected future costs, the discount rate used in recognising the present value, and the passage of time until settlement has now been extended following the reasonable expectation of exercising an additional lease option.

The lease for the Marcoola branch is due to expire on 31 March 2034, while the lease for the Pomona branch is due to expire on 31 March 2032 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	94	936	984	1,034	12,946
Statement of financial position					
- Make-good provision	18,580	19,516	20,500	21,534	34,480

Note 23 Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	20,608	12,251
Provision for long service leave	19,075	19,924
	39,683	32,175

b) Key judgement and assumptions

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 24 Issued capital

a) Issued capital				
	2020		2019	
	Number	$	Number	$
Ordinary shares – fully paid	1,672,988	1,672,988	1,672,988	1,672,988
Bonus shares – fully paid	31.250	-		
Less: equity raising costs	-	(49,921)	-	(49,921)
	1,704,238	1,623,067	1,704,238	1,623,067

b) Rights attached to issued capital

Ordinary shares

<u>Voting rights</u>

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community bank branch have the same ability to influence the operation of the company.

<u>Dividends</u>

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

<u>Transfer</u>

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001.*

Prohibited shareholding interest
A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
-

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	Note	2020 $	2019 $
Balance at beginning of reporting period		(100,656)	(220,270)
Adjustment for transition to AASB 16	3d)	(114,230)	-
Net profit after tax from ordinary activities		229,231	204,826
Dividends provided for or paid	30a)	(76,691)	(85,212)
Balance at end of reporting period		(62,346)	(100,656)

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	229,231	204,826
Adjustments for:		
- Depreciation	162,380	55,810
- Amortisation	59,694	56,550
- Loss on disposal of non-current assets	14,914	26,622
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(36,413)	(57,611)
- (Increase)/decrease in other assets	84,544	3,086
- Increase/(decrease) in trade and other payables	73,207	658,524
- Increase/(decrease) in employee benefits	7,507	14,286
- Increase/(decrease) in provisions	95	-
- Increase/(decrease) in tax liabilities	(3,941)	(12,025)
Net cash flows provided by operating activities	591,218	950,068

Note 27 Financial Instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets	Note	2020	2019
		$	$
Trade and other receivables		98,729	61,189
Cash and cash equivalents	13	136,845	359,524
Term deposits	13	14,571	14,287
		250,145	435,000
Financial liabilities			
Trade and other payables	19	11,597	17,898
Secured bank loans	20	1,696,958	1,518,549
Lease liabilities	21	619,787	-
		2,328,342	1,536,447

Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

Audit and review services	2020 $	2019 $
- Audit and review of financial statements (AFS)	2,400	-
- Audit and review of financial statements (RSD)	4,000	7,200
	6,400	7,200
Non audit services		
- General advisory services	2,315	-
	2,315	-
Total auditor's remuneration	8,715	7,200

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year:
Rick Cooper
David Green
Elizabeth Reynolds
Guy Hamilton
Tony Freeman
Patricia Radge
Toby Bicknell
Jay Pashley

b) Key management personnel compensation

	2020	2021
Key management personnel compensation comprised the following:	$	$
Short-term employee benefits	27,250	-
	27,250	-

Compensation of the company's key management personnel includes salaries and contributions to a post-employment superannuation contribution plan.

c) Related party transactions

No director or related entity has entered a material contract with the company.

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	4.50	76,691	5.00	85,215
Total dividends for and paid during the financial year	4.50	76,691	5.00	85,215

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Franking account balance	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	277,371	210,004
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	37,463	99,689
- Franking debits from the payment of franked distributions	(29,090)	(32,322)
Franking account balance at the end of the financial year	285,744	277,371
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	13,336	(13,766)
Franking credits available for future reporting periods	299,080	263,605
The ability to utilise franking credits is dependent upon the company's ability to declare dividends.		

Note 31 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020 $	2019 $
Profit attributable to ordinary shareholders	229,231	204,826
	Number	Number
Weighted-average number of ordinary shares	1,704,238	1,704,238
	Cents	Cents
Basic and diluted earnings per share	13.45	12.02

Note 32 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 21).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	95,461
- between 12 months and 5 years	-	322,048
Minimum lease payments payable	-	417,509

b) Other commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 33 Contingencies

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

Note 34 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Sunshine Coast Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	358	226,013
1,001 to 5,000	243	509,699
5,001 to 10,000	35	247,884
10,001 to 100,000	32	720,642
100,001 and over	-	-
Total Shareholders	668	1,704,238

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
MR MURRAY WILLIAM BROWN + MRS LYNDAL JANE BROWN <HINTERNOOSA SUPER FUND A/C>	92,776	5.44
SCIPIO NOMINEES PTY LTD	53,525	3.14
JENNIFRED PTY LTD <BROOMHALL SUPER FUND A/C>	43,800	2.57
THOMAS LEIGH PTY LTD <THE WARING FAMILY SUPERANNUATION FUND AC>	37,324	2.19
WINPAR HOLDINGS LIMITED	33,725	1.98
ALISON DIANNE COMBER	30,469	1.79
ZEDMONT PTY LTD <COOPER COLLINS SUPER FUND AC>	30,093	1.77
WILLEY MCBRYDE PTY LTD <THE WILLEY MCBRYDE SUPERANNUATION FUND>	30,000	1.76
JAMES HOWARD BELL	25,000	1.47
KEVIN JOHN FAGGOTTER + ELAINE KATHLEEN FAGGOTTER	21,000	1.23
	397,712	23.34

Registered office and principal administrative office

The registered office of the company is located at: 114 Poinciana Avenue
Tewantin QLD 4565
Phone: (07) 5440 5289

The principal administrative office of the company is located at: 114 Poinciana Avenue
Tewantin QLD 4565
Phone: (07) 5440 5289

Security register

The security register (share register) is kept at:
RSD Registry PO Box 30
Bendigo VIC 3552
Phone: (03) 5445 4222

Company Secretary

The company secretary is Patricia Radge. Patricia was appointed to the position of secretary on 1 June 2018. Qualifications, experience and expertise: Patricia holds a Bachelor of Business and her experience includes managing a small financial services company since April 2000.

Corporate governance

The company has implemented various corporate governance practices, which include:
The establishment of an Finance and Audit Committee. Members of the Finance and Audit Committee are: David Green, Rick Cooper and Patricia Radge.
Director approval of operating budgets and monitoring of progress against these budgets;
Ongoing Director training; and
Bi-monthly Director meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

Sunshine Coast Community Financial Services Limited
Directors'' Declaration

In accordance with a resolution of the directors of Sunshine Coast Community Financial Services Limited, we 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 2020 and of its performance for the financial year ended on that date; and
   ii. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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.

c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 ***Related Party Disclosures*** and the ***Corporations Regulations 2001***.

This declaration is made in accordance with a resolution of the board of directors.

Rick Cooper, Chair

Dated this 13th day of September 2020

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61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Sunshine Coast Community Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying 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 2020 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Sunshine Coast Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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03 5443 0344
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If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sunshine Coast Community Financial Services Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
The company adopted *AASB 16: Leases* as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review. The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in **Note** 3 and 4 m) to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. Our key audit matter was focused on the following areas of risk: ▪ Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. ▪ Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. ▪ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. ▪ The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ assessed the design and implementation of key controls pertaining to the determination of the ▪ AASB 16 transition impact disclosure. ▪ assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. ▪ verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. ▪ considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. ▪ assessed whether the disclosures within the financial statements are appropriate in light of the requirements of *AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors.* **Key observation** We are satisfied that the disclosure of the impact of adoption of *AASB 16: Leases* is in accordance with the company's accounting policy and the related disclosure of these items per Note 3 and 4 m) to the financial statements is appropriate.

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PO Box 454, Bendigo 3552
03 5443 0344
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Key Audit Matter	How our audit addressed the matter
Revenue Share Model	
The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established. The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our Key Audit Matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with *AASB 15 Revenue from Contracts with Customers*. ▪ Reliance on third party auditor (Ernst & Young) to review the **revenue share** model.	In responding to the identified Key Audit Matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. ▪ Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at Note 4a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2020 audit.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it 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 preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 13 September 2020

Joshua Griffin
Lead Auditor

Tewantin Community Bank Branch
114 Poinciana Avenue, Tewantin QLD 4565
Phone: (07) 5440 5289
https://www.bendigobank.com.au/branch/qld/tewantin-noosa-community-bank-branch/

Cooroy Community Bank Branch
Phone: 36A Maple Street Cooroy QLD 4563
(07) 5447 7131
https://www.bendigobank.com.au/branch/qld/cooroy-community-bank-branch/

Pomona Community Bank Branch
3/3 Station Street Pomona QLD 4568
Phone: (07) 5485 1786
https://www.bendigobank.com.au/branch/qld/pomona-community-bank-branch/

Tewantin Community Bank Branch
1/930 David Low Way Marcoola QLD 4564
Phone: (07) 5448 8582
https://www.bendigobank.com.au/branch/qld/marcoola-community-bank-branch/

Franchisee: Sunshine Coast Community Financial sServices Limited:
114 Poinciana Avenue, Tewantin QLD 4565
Phone: (07) 5440 5289
ABN: 12 100 576 261

2020 Annual Report

Sunshine Coast Community Financial Services Limited

Community Bank

Bendigo Bank