

Annual Report 2023

Sunshine Coast Community
Financial Services Limited

Community Bank
Cooroy, Marcoola and Tewantin-Noosa
ABN 12 100 576 261

Sunshine Coast Community Financial Services Limited

Chair's Report for year ending 30 June 2023

Our Company Vision

To be the bank of choice within the communities we serve.

Our Purpose

To be your community owned bank that feeds into the community's prosperity, not off it.

Management and Staff

With Australia's unemployment rate at 3.5% as at 30 June 2023, Sunshine Coast Community Financial Services Limited (SCCFSL) like so many other businesses experienced a relatively high rate of staff turnover. Several staff took the opportunity to move into roles closer to home and in different sectors. Senior Branch Manager Melanie Jackson saw out the financial year but has since moved back to the Gold Coast to be with her family.

We were sad to lose Mark Gielis, Branch Manager at Tewantin-Noosa but thrilled for Kerryn Vincart to return to the branch after travels around Australia.

Cooroy also gained a new manager, Steve Clarke, who has already made great connections in the Cooroy community.

Finding the right manager for Marcoola has been a difficult task. I would like to thank the Marcoola team of Stephen, Lloyd and new team members Tyler and Ned for managing the branch and ensuring excellent customer service despite the lack of manager. We are pleased to advise that Aary Morrison has joined the company as Branch Manager Marcoola in September 23.

Our board have a strong focus on staff improving their customer service and sales skills. We are focused on ensuring Bendigo Bank's new training programs deliver the required outcomes to ensure our Community Bank is recognised for great customer service in our community.

This year we employed an Event and Marketing Manager, Danah Wood, who made a huge impact on the business from the moment she joined us. Danah is supporting the branch staff and the board in promoting the company, attracting new customers to the bank, and running events.

Colleen Ginty continues to make the Board's life more efficient and effective in her role as Business Administrator and Lou Vincart makes monthly financial reporting manageable by assembling Bendigo Bank data into relevant reports.

I would like to thank all our staff for their commitment to community events and business promotions that have taken place this year. I acknowledge the time spent outside work hours connecting with our customers and sponsors and thank everyone for their time and commitment.

Sunshine Coast Community Financial Services Limited

The Board

FY23 was a stable but busy year for the board. Record community contributions meant our directors were busy attending events and promoting the Community Bank.

I would like to thank Rick, Guy, Elizabeth, David, Toby and Louise for their commitment to the company.

This year's focus has been enhancing board governance, risk management and ensuring directors were up to date with Bendigo Bank policies, procedures and the Franchise Agreement.

Community Contributions

Rising interest rates saw SCCFSL's margin income increase significantly resulting in community contributions of \$1,730,528 consisting of \$1,035,791 allocated to projects during the year and a further \$694,737 deposited into the Community Enterprise Foundation for future projects.

During FY23, we financially contributed to 78 organisations on the Sunshine Coast including 3 of the largest and most enduring projects to date:

- **Noosa Rise** Domestic & Family Violence housing project. SCCFSL committed \$500,000 to Coast2Bay Community Housing Group who will build Noosa Rise, a 4-apartment dwelling in the Noosa area specifically to house women and children fleeing DFV situations.
- **Bendigo Bank Community Pavilion** by Permaculture Noosa. \$90,000 towards a huge pavilion in the Cooroy Community Gardens to be used for events, classes and meet ups.
- **Noosa FM** Community Radio Station: \$186,000 has been committed to refit 3 studios with new audio equipment, furniture, and acoustic panelling.

Statistics

With 10 interest rate hikes imposed by Reserve Bank Australia in FY23, mortgage holders unsurprisingly reviewed their debt and many paid down or discharged their loans. Footings fell due to the higher interest rates with both the number of loans and deposits in decline. As a result, the board held a strategic planning meeting in January 2023 and re-set the company focus to retain business rather than to grow the book value. Key planning items include:

- Retain book value at December 2022 levels
- Substantially increase the marketing budget to focus on telling the Community Bank story and attracting new customers
- Engage with sponsors to ensure they are referring new business to the bank.

Sunshine Coast Community Financial Services Limited

Statistical Snapshot

	Footings (Book value in \$M)	Footings Growth (\$M)	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
2020/21	556	87	18,478	11,906	71,486
2021/22	619	64	19,580	12,501	63,622
2022/23	600	-\$19	21,159	12,956	60,250

Year-end 30th June 2023 Results

Profit after tax increased to \$667,578, an increase of 78.5% on the previous year. Revenue was up \$2.18m despite footings loss of \$19m. This exceptional result was to the result of increased margin revenue due to higher interest rates.

Financial Snapshot 2008/09 onwards

	Shareholder Dividends Cents per 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	3,217	473	293	204
2019/20	4.5	207	3,309	528	322	229
2020/21	4	77	3,218	259	262	182
2021/22	8	84	3,240	328	244	156
2022/23	TBA	1,036	5,335	1,056	877	620
	91.29	3,028				

Sunshine Coast Community Financial Services Limited

We are actively seeking to recruit new directors in the Peregian to Marcoola area to ensure the company has effective community connections across our banking footprint.

This financial year saw a focus on directors connecting with the community via local meetings such as the Noosa Chamber of Commerce, Noosaville Business Association, Cooroy Chamber of Commerce and Tourism Noosa. Building networks and getting the Community Bank message out to the business community has been a priority with the goal of increasing the number of people banking with us.

With thanks

I would like to thank my fellow directors, our Community Bank staff, and our Regional Manager Rohan Quirey for their hard work and dedication during FY23. It has been a busy but successful year, one that will go down in the record books for our largest community impact to date.

And finally, a big thank you to our shareholders and customers; without you our company would not be able to make such a huge impact in our community.



Trish Radge, Chair

5th September 2023

Sunshine Coast Community Financial Services Limited

Community Bank Cooroy Manager's Report for year ending 30 June 2023

Firstly, I'd like to thank my team, colleagues at the Community Bank Tewantin-Noosa and Marcoola branches and of course, our directors for the warm welcome and support I've received since joining the Community Bank Cooroy in late November 2022. As a career banker of over 20 years, I've been blown away by our community bank ethos of 'profit for purpose' and the service ethic of our people. We truly are very fortunate to be servicing such a wonderful community.

Business results – Following FY22's \$35m+ growth, deposits contracted \$5.5m and loans \$4.5m in a challenging, yet dynamic economic climate. A large contributor to these results was older demographic customers using their savings to pay down mortgages or selling to downsize. Overall customer retention and growth has been strong (3.59% against target growth 2.33%), with students and young families providing opportunities for business growth in coming years.

Staffing at the Cooroy branch has been quite stable, introducing two new team members, Teagan and Elissa settling in and well supported by Kristin, Meredith, Dayne and Stefan.

Team focus has been on providing better in-depth conversations with our customers to uncover un-met needs and help our customers reach their financial goals sooner. Feedback from customers has been positive and this is supported by our above average Customer Satisfaction score of 4.82 out of 5 for the year.

I've greatly enjoyed our community focus and our Community Bank Company has positively supported many local organisations and charities over the past 12 months. Some notable local examples are the ongoing support of the 'King of the Mountain' event, Art Exhibition and support for Hoofbeats Sanctuary and annual sponsorship of the Cooroy Golf club. We are very excited about our support of Permaculture Noosa's pavilion at the Cooroy Community Gardens and the celebration of our branch's 21st birthday.

Here's to an awesome FY24.

Steve Clarke
Branch Manager



Sunshine Coast Community Financial Services Limited

Community Bank Marcoola Report for year ending 30 June 2023

We were thrilled to launch the new-look Community Bank Marcoola in February 2023. The refresh is a bright and modern interior with a fantastic surf image on the external window by local photographer Josh Whiting.

For the second year we were proud to be the major sponsor of Coolum Wedge Bodsurfing festival. The team behind the Coolum Wedge have been great supporters of the Marcoola Branch, encouraging their members and event attendees to bank with us.

Peregian Digital Hub was a new recipient of sponsorship; with our Community Bank Company sponsoring a year of drinks and pizza for the weekly digital meet ups.

We were also proud to support Coolum, Marcoola and Peregian Surf Clubs along with Coolum HeARTS and Coolum Theatre Players in the arts field.

The board would like to thank Stephen Hutchings and Lloyd Sloman for their fantastic customer service during the year and specifically for managing the branch whilst the company was recruiting a new Branch Manager.



Sunshine Coast Community Financial Services Limited

Community Bank Tewantin Manager's Report for year ending 30 June 2023

Another great year at Community Bank Tewantin-Noosa, built on the fact we do business and remain connected and relevant to our community. Our branch staff go the extra mile to provide excellent customer service.

The success of the year saw our overall business held under management exceed \$190 million and the number of customers doing business with us grew by 7.4%.

The successful year continued when we were able to return the income generated from our growth to our community in an array of events and partnerships. Community Bank Tewantin Noosa, its staff and Board have achieved outcomes that are relevant, whether it is partnering with Peregian Surf Life Saving Club providing furniture and kitchen upgrades for their club house or providing branded scrub tops for nurses and carers at Katie Rose Cottage.

Our Community Bank Company's support for the Noosa Heads Surf Life Saving Club, Sunshine Beach Surf Life Saving Club, Peregian Beach Surf Life Saving Club, Noosa Arts Theatre, Noosa Pirates Rugby League and drums for the Noosa and District Pipe Band were all highlights during a very busy year. And the list of support continues beyond those listed here.

This year saw a managerial change here at the Branch with Mark Gielis leaving and myself returning in April 2023 from travelling around Australia. I have the opportunity to continue the work that was put in place before my arrival and working with a fantastic motivated team in the branch to continue the growth.

A very big thank you for support by an amazing group of people including the Board and its Chair, Trish Radge.

Thank you to our Promotions and Marketing Manager Danah Wood for the many, many hours of work contributing to supporting not only this branch but all the community groups we work with.

Last but not least, my team of Kate, Martin, Rhys, Matt, Tyler and Maria, all of whom work day in and day out ensuring our customers receive the best outcomes each and every time they drop into the branch or via phone call or email.

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

Kerryn Vincart
Branch Manager

Sunshine Coast Community Financial Services Limited

ABN: 12 100 576 261

Financial Report

For the year ended

30 June 2023

Sunshine Coast Community Financial Services Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2023

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Patricia Radge

Non-executive director

Occupation: Business Manager

Qualifications, experience and expertise: B.Bus., Personnel Management Graduates course, Certificate of Governance Practice.

Trish is business owner and manager of The Chartist, a stock market advisory service based in Noosa. Trish's experience includes compliance, business management and small business development.

Special responsibilities: Chair, Finance Committee, Commercial Committee, Human Resources Committee

Interest in shares: 24,850 ordinary shares

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: Sponsorship and Marketing Committee, Finance Committee, Human Resources Committee

Interest in shares: 30,093 ordinary shares

David Green

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: Retired accountant after practising in the Noosa Heads area for 29 years.

Special responsibilities: Secretary, Finance Committee

Interest in shares: 10,000 ordinary shares

Louise McNeich

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Louise has a Masters in Professional Accounting and Diploma in Financial Planning. She is a member of the CPA Australia. With 20 years experience working in accounting firms in Noosa and Mackay, she currently is the principal of a local accounting firm, LMC Accounting and Financial Services, which she has owned for the last 11 years. She is currently Treasurer for Noosa Christian College P & F and has formerly held Treasurer roles with Noosa Chamber of Commerce and Noosa International Film Festival and was previously President of Cooroy Gymnastics Club.

Special responsibilities: Treasurer, Chair of Finance Committee

Interest in shares: nil share interest held

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

Sunshine Coast Community Financial Services Limited

Directors' Report

Directors (*continued*)

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: Human Resources 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: Human Resources Committee

Interest in shares: nil share interest held

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

No other directors interests other than those mentioned in Note 29 have material interest in contracts or proposed contracts with the company.

Company Secretary

The company secretary is David Green. David was appointed to the position of secretary on 2 June 2022.

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.

Review of operations

The company's operations has produced the following results:

	2023	2022		Movement	
	\$	\$	Up/Down	\$	%
Revenue	5,334,586	3,240,217	Up	2,094,369	65%
Profit after income tax expense	619,548	156,464	Up	463,084	296%
Total comprehensive income for the year attributable to the ordinary shareholders of the company	619,548	156,464	Up	463,084	296%

	2023	2022
	\$	\$
Profit (loss) after tax attributable to members reported for the 1st half year	815,398	37,342
Profit (loss) after tax attributable to members reported for the 2nd half year	(195,850)	119,122

The loss incurred in the second half of the year is a direct result of community contributions paid as sponsorships and into the Community Enterprise Foundation which is used for future community contributions.

Sunshine Coast Community Financial Services Limited

Directors' Report

Review of operations (continued)

The company has seen a significant increase in its revenue during the financial year. The company has benefitted substantially by the Reserve Bank of Australia progressively increasing interest rates during the year. This has resulted in operating revenue rising by 65% to \$5,334,586 (\$3,151,593 in 2022) although it remained a very competitive year in regards to writing new lending and retaining our loan assets where considerable revenue is generated. Costs have continued to be closely curtailed resulting in our record net profit after tax.

Operating and financial review

Overview of 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 Cooroy, Tewantin & Marcoola Community Bank branches. While the branches offer the full suite of Bendigo & Adelaide Bank products and services, margin earnings from firstly loans and then deposits are the predominant contributor to company results.

The general nature of the market for the company has improved in this financial year, due mainly to increases in official cash rates by the Reserve Bank of Australia. As a result, margin income on loans and deposits has increased substantially compared to previous years. Counteracting this to an extent is the increased competition from other financial institutions and a housing market that is under pressure due to short supply. The Company continues to encourage staff to actively pursue new customers etc.

Key Metrics

Five year summary of performance	Unit	2023	2022	2021	2020	2019
Operating revenue	\$	5,265,629	3,151,593	3,103,182	3,132,008	3,062,607
Earnings before interest, tax, depreciation, and amortisation	\$	1,056,615	569,590	559,138	653,978	485,888
Earnings before interest and tax	\$	876,527	316,644	341,030	431,904	373,528
Net profit after tax	\$	619,548	156,464	181,989	229,231	204,826
Total assets	\$	4,532,814	4,304,223	4,639,689	4,139,916	3,870,254
Total liabilities	\$	1,707,541	1,962,159	2,385,920	2,579,195	2,347,843
Total equity	\$	2,825,273	2,342,064	2,253,769	1,560,721	1,522,411
Net cash flow from operating activities	\$	679,963	373,763	386,771	591,218	950,068
Business footings ¹	\$m	600	619	556	468	456

Shareholder returns

Profit attributable to owners of the company	\$	619,548	156,464	769,739	229,231	204,826
Basic earnings per share	¢	36.35	9.18	10.68	13.45	12.02
Dividends paid	\$	136,339	68,169	76,691	76,691	85,215
Dividends per share	¢	8.00	4.00	4.50	4.50	5.00
Profit before tax per \$1 of revenue	¢	15.48	7.53	8.45	10.29	9.55
Profit after tax per \$1 of equity	¢	21.93	6.68	8.07	14.69	13.45
Net tangible assets per share	¢	175.42	145.95	137.76	82.00	77.13
Price earnings ratio	No.	1.62	8.71	7.49	7.21	8.07
Share price	¢	59.00	80.00	80.00	97.00	97.00

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 2023 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Sunshine Coast Community Financial Services Limited

Directors' Report

Operating and financial review (*continued*)

Financial Position

The company is delighted to report a record net profit of \$619,548 for the financial year ended 30 June 2023 (\$156,464 for 2022) and tripling its profit after tax per \$1 of equity. All of this was achieved after a record amount of funds was denoted to our Community. The financial position of the company remains relatively strong.

The cash and cash equivalents position of the company improved for the reporting year by \$62,102 for a year-end balance of \$159,585

The company continues to build a resilient balance sheet, ending June 2023 with net assets of \$2,825,273

Drivers of business performance

The results for the 2022/23 Financial Year are a direct result of the Reserve Bank of Australia raising interest rates, resulting in revenue growth of 65%. The net interest returns under the revenue share arrangement have increased in line following official rate increases by the Reserve Bank of Australia.

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:

1. Strengthening our connection and level of engagement between important stakeholders and partners.
2. Strengthening our Directors role in our business structure and key customer and community segments.
3. Defining our future board skill and diversity mix and a structure that will deliver our Strategic Plan.
4. Focussing our business on the most profitable growth opportunities using our own local marketing plans.
5. Planning to achieve our future business performance expectations.

Future outlook

The company believes there are opportunities to develop additional revenue through:

1. Acquiring additional customers through greater community based events and a focus on local businesses.
2. 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

Key management personal remuneration policy

In line with the significant increase in director's commitments a resolution was passed in January 2022 to increase director's fees to \$1,000 per month excluding superannuation. This has not altered during the 2022/23 Financial Year.

Directors have the option not to accept the fees or to direct the fees to a charity of their choice. Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

Sunshine Coast Community Financial Services Limited

Directors' Report

Remuneration report (*continued*)

Details of key management personnel

The directors of the company during the financial year were:

Patricia Radge
Rick Cooper
David Green
Louise McNeich
Elizabeth Reynolds
Guy Hamilton
Toby Bicknell

Key management personnel compensation

Key management personnel compensation comprised the following.

	2023	2022
	\$	\$
Short-term employee benefits	74,235	47,150
Post-employment benefits	8,820	3,000
	<u>83,055</u>	<u>50,150</u>

Compensation of the company's key management personnel includes salaries and contributions to a superannuation fund.

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Patricia Radge	23,800	1,050	24,850
Rick Cooper	30,093	-	30,093
David Green	10,000	-	10,000
Louise McNeich	-	-	-
Elizabeth Reynolds	-	-	-
Guy Hamilton	-	-	-
Toby Bicknell	-	-	-

Dividends

	Year ended 30 June 2023	
	Cents	\$
Dividends:		
- Dividends provided for and paid in the year	8.00	136,339

The dividends were fully franked at 100% per security.

Significant changes in the state of affairs

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

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Sunshine Coast Community Financial Services Limited

Directors' Report

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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnity 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.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Meetings of directors

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					
			Community Investment & Youth		Risk, Governance & Audit		Finance, Strategy & HR	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Patricia Radge	11	11	9	8	3	2	14	12
Rick Cooper	11	10	9	9	3	1	14	12
David Green	11	9	9	-	3	-	14	10
Louise McNeich	11	9	9	1	3	-	14	12
Elizabeth Reynolds	11	10	9	9	3	2	14	2
Guy Hamilton	11	8	9	1	3	3	14	4
Toby Bicknell	11	7	9	5	3	1	14	3

E - eligible to attend

A - number attended

Sunshine Coast Community Financial Services Limited

Directors' Report

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 are 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 board of directors to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
 - the non-audit services provided do not 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.
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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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

DocuSigned by:

2335EB184C7B475

Patricia Radge, Chair

25 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

Independent 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 2023, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned to the left of the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin', is positioned to the right of the printed name.

Joshua Griffin
Lead Auditor

Sunshine Coast Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	8	5,265,629	3,151,593
Other revenue	9	68,475	88,562
Finance revenue		482	62
Total revenue		5,334,586	3,240,217
Employee benefit expenses	11d)	(1,763,546)	(1,928,571)
Advertising and marketing costs		(130,627)	(14,577)
Occupancy and associated costs		(70,219)	(84,134)
Systems costs		(117,056)	(137,639)
Depreciation and amortisation expense	11a)	(180,088)	(252,946)
Finance costs	11b)	(50,534)	(72,529)
Loss on disposal of assets		(8,001)	(66,762)
General administration expenses		(457,994)	(354,983)
Total expenses before community contributions and income tax		(2,778,065)	(2,912,141)
Profit before community contributions and income tax expense		2,556,521	328,076
Charitable donations and sponsorships expense	11c)	(1,730,528)	(83,961)
Profit before income tax expense		825,993	244,115
Income tax expense	12	(206,445)	(87,651)
Profit after income tax expense		619,548	156,464
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		619,548	156,464
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31	36.35	9.18

The accompanying notes form part of these financial statements

Sunshine Coast Community Financial Services Limited
Statement of Financial Position
as at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	159,585	97,483
Trade and other receivables	14a)	320,811	167,736
Total current assets		480,396	265,219
Non-current assets			
Property, plant and equipment	15a)	3,807,767	3,794,486
Right-of-use assets	16a)	231,825	203,517
Intangible assets	17a)	12,826	41,001
Total non-current assets		4,052,418	4,039,004
Total assets		4,532,814	4,304,223
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	34,333	89,236
Current tax liabilities	18a)	91,675	32,160
Loans and borrowings	20a)	148,736	204,498
Lease liabilities	21a)	23,142	18,881
Total current liabilities		297,886	344,775
Non-current liabilities			
Loans and borrowings	20b)	872,008	1,095,006
Lease liabilities	21b)	341,873	326,692
Provisions	22a)	18,730	9,442
Deferred tax liability	18b)	177,044	186,244
Total non-current liabilities		1,409,655	1,617,384
Total liabilities		1,707,541	1,962,159
Net assets		2,825,273	2,342,064
EQUITY			
Issued capital	23a)	1,623,067	1,623,067
Reserves	24b)	587,750	587,750
Retained earnings	25	614,456	131,247
Total equity		2,825,273	2,342,064

The accompanying notes form part of these financial statements

Sunshine Coast Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2023

	Note	Issued capital \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		1,623,067	587,750	42,952	2,253,769
Total comprehensive income for the year		-	-	156,464	156,464
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30	-	-	(68,169)	(68,169)
Balance at 30 June 2022		1,623,067	587,750	131,247	2,342,064
Balance at 1 July 2022		1,623,067	587,750	131,247	2,342,064
Total comprehensive income for the year		-	-	619,548	619,548
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30	-	-	(136,339)	(136,339)
Balance at 30 June 2023		1,623,067	587,750	614,456	2,825,273

The accompanying notes form part of these financial statements

Sunshine Coast Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		5,725,856	3,481,183
Payments to suppliers and employees		(4,856,515)	(2,956,660)
Interest received		482	62
Interest paid		(33,730)	(71,260)
Income taxes paid		(156,130)	(79,562)
Net cash provided by operating activities	26	679,963	373,763
Cash flows from investing activities			
Payments for property, plant and equipment	15	(152,717)	(42,907)
Proceeds from sale of property, plant and equipment		-	1,234
Payments for intangible assets		(13,184)	(58,749)
Net cash used in investing activities		(165,901)	(100,422)
Cash flows from financing activities			
Repayment of loans and borrowings		(278,760)	(123,153)
Repayment of lease liabilities		(36,861)	(36,742)
Dividends paid	30	(136,339)	(68,169)
Net cash used in financing activities		(451,960)	(228,064)
Net cash increase in cash held		62,102	45,277
Cash and cash equivalents at the beginning of the financial year		97,483	52,206
Cash and cash equivalents at the end of the financial year	13	159,585	97,483

The accompanying notes form part of these financial statements

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

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

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 2023 were authorised for issue in accordance with a resolution of the directors.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

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.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

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:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation 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). There was no revenue from contracts with customers recognised over time during the financial year.

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 income

Margin income on core banking products 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 Bendigo Bank 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 income

Commission income 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 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.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return 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.

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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
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.
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).

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 existing agreement expired in March 2023 and is currently being renewed.

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.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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 Bendigo Bank 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
- providing payroll services.

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 where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

d) Employee benefits

Bendigo Bank seconded employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (continued)

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.

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the 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 and deposits held with banks.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and/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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line and diminishing value	2 to 20 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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
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 lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) 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 10 business 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 ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

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.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 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 fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

m) Leases (*continued*)

As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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.

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.

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.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

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 a lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

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. Given the term of the sublease is less than the head lease term, the sublease does not meet the definition of a finance sublease and as such is an operating lease.

During the lease term the company recognises lease income in other revenue when earned. Depreciation on the property is recognised under property, plant and equipment.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4 Summary of significant accounting policies (*continued*)

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

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:

<u>Note</u>	<u>Judgement</u>
- 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 2023 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:

<u>Note</u>	<u>Assumptions</u>
- 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;

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties *(continued)*

- Note 15 - estimation of useful lives of assets key assumptions on historical experience and the condition of the asset;
- 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 credit, liquidity and market risk arising from financial instruments. 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 and investments in debt securities.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank which currently rated BBB+ on Standard & Poor's credit ratings.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 maintains the following lines of credit with Bendigo Bank:

- \$473,000 redraw facility on \$1,020,745 commercial loan secured by the company's assets as at 30 June 2023. Interest is payable at a rate of 6.77% - 7.01% (2022: 3.26% - 3.52%)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2023

<u>Financial liabilities</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	1,020,744	148,736	594,931	277,077
Lease liabilities	365,015	38,704	161,923	262,579
Trade payables	14,024	14,024	-	-
	<u>1,399,783</u>	<u>201,464</u>	<u>756,854</u>	<u>539,656</u>

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6 Financial risk management

b) Liquidity risk (*continued*)

30 June 2022

<u>Financial liabilities</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	1,299,504	204,498	706,200	388,806
Lease liabilities	345,573	33,677	141,731	272,879
Trade payables	5,283	5,283	-	-
	<u>1,650,360</u>	<u>243,458</u>	<u>847,931</u>	<u>661,685</u>

c) 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.

Interest-bearing assets and liabilities 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 held cash and cash equivalents of \$159,585 at 30 June 2023 (2022: \$97,483).

In addition, the company has access to \$473,000 through a redraw from prepayments to its mortgage facilities (\$350,000 as at 30 June 2022).

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.

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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 2023 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.

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2023

Note 8 Revenue from contracts with customers

	2023	2022
	\$	\$
- Margin income	4,780,235	2,655,243
- Fee income	249,568	244,228
- Commission income	235,826	252,122
	<u>5,265,629</u>	<u>3,151,593</u>

Note 9 Other revenue

	2023	2022
	\$	\$
- Rental income	47,147	48,750
- Market development fund income	-	29,999
- Other income	21,328	9,813
	<u>68,475</u>	<u>88,562</u>

Note 10 Finance revenue

	2023	2022
	\$	\$
- Cash at bank	422	-
- Term deposits	17	62
- Other	43	-
	<u>482</u>	<u>62</u>

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

a) Depreciation and amortisation expense

	2023	2022
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Buildings	62,771	62,771
- Leasehold improvements	15,667	23,933
- Plant and equipment	52,996	56,729
	<u>131,434</u>	<u>143,433</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	20,479	53,928
<i>Amortisation of intangible assets:</i>		
- Franchise fee	28,175	55,585
Total depreciation and amortisation expense	<u>180,088</u>	<u>252,946</u>

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 11 Expenses (continued)

	2023	2022
	\$	\$
b) Finance costs		
- Bank loan interest paid or accrued	33,730	46,352
- Lease interest expense	16,317	24,908
- Unwinding of make-good provision	487	1,269
	<u>50,534</u>	<u>72,529</u>

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

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as sponsorships, grants and donations).

	2023	2022
	\$	\$
- Direct sponsorships, grants and donations	443,528	83,961
- Contribution to the Community Enterprise Foundation™	1,287,000	-
	<u>1,730,528</u>	<u>83,961</u>

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

d) Employee benefit expenses

	2023	2022
	\$	\$
Wages and salaries	1,448,066	1,571,285
Contributions to superannuation contribution plans	157,966	160,958
Other expenses	157,514	196,328
	<u>1,763,546</u>	<u>1,928,571</u>

e) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

	2023	2022
	\$	\$
Expenses relating to low-value leases	<u>53,836</u>	<u>64,805</u>

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

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	2023	2022
	\$	\$
<i>Current tax expense/(credit)</i>		
- Current tax	215,645	92,259
- Movement in deferred tax	(9,200)	(4,316)
- Changes in estimates related to prior years	-	(292)
	<u>206,445</u>	<u>87,651</u>
b) <i>Prima facie</i> income tax reconciliation		
	2023	2022
	\$	\$
Operating profit before taxation	825,993	244,115
Prima facie tax on profit/(loss) from ordinary activities at 25% (2022: 25%)	206,498	61,029
Tax effect of:		
- Non-deductible expenses	17,040	17,736
- Temporary differences	(1,079)	13,494
- Other deductibles	(6,814)	-
- Movement in deferred tax	(9,200)	(4,316)
- Under/(over) provision of income tax in the prior year	-	(292)
	<u>206,445</u>	<u>87,651</u>

Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2023	2022
	\$	\$
- Cash at bank and on hand	144,807	82,722
- Term deposits	14,778	14,761
	<u>159,585</u>	<u>97,483</u>

In addition, the company has access to \$473,000 through a redraw from prepayments to its mortgage facilities (\$350,000 as at 30 June 2022).

Note 14 Trade and other receivables

a) Current assets	2023	2022
	\$	\$
Trade receivables	297,048	155,390
Prepayments	7,993	9,846
Other receivables and accruals	15,770	2,500
	<u>320,811</u>	<u>167,736</u>

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2023

Note 15 Property, plant and equipment

a) Carrying amounts	2023	2022
	\$	\$
<i>Land</i>		
At fair value	665,000	665,000
<i>Buildings</i>		
At fair value	2,490,843	2,490,843
Less: accumulated depreciation	(311,385)	(248,614)
	<u>2,179,458</u>	<u>2,242,229</u>
<i>Leasehold improvements</i>		
At cost	708,832	619,776
Less: accumulated depreciation	(59,959)	(44,292)
	<u>648,873</u>	<u>575,484</u>
<i>Plant and equipment</i>		
At cost	870,749	842,148
Less: accumulated depreciation	(556,313)	(530,375)
	<u>314,436</u>	<u>311,773</u>
Total written down amount	<u><u>3,807,767</u></u>	<u><u>3,794,486</u></u>

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.

b) Reconciliation of carrying amounts	2023	2022
	\$	\$
<i>Land</i>		
Carrying amount at beginning	665,000	665,000
<i>Buildings</i>		
Carrying amount at beginning	2,242,229	2,305,000
Depreciation	(62,771)	(62,771)
	<u>2,179,458</u>	<u>2,242,229</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	575,484	660,034
Additions	89,056	-
Disposals	-	(60,617)
Depreciation	(15,667)	(23,933)
	<u>648,873</u>	<u>575,484</u>

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2023

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts (continued)	2023	2022
	\$	\$
<i>Plant and equipment</i>		
Carrying amount at beginning	311,773	332,974
Additions	63,660	42,907
Disposals	(8,001)	(7,379)
Depreciation	(52,996)	(56,729)
	<u>314,436</u>	<u>311,773</u>
Total written down amount	<u>3,807,767</u>	<u>3,794,486</u>

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.

d) Fair value

The company's Cooroy and Tewantin properties were independently valued effective 28 June 2021 by Herron Todd White.

Note 16 Right-of-use assets

a) Carrying amounts	2023	2022
	\$	\$
<i>Leased land and buildings</i>		
At cost	465,186	416,399
Less: accumulated depreciation	(233,361)	(212,882)
Total written down amount	<u>231,825</u>	<u>203,517</u>
b) Reconciliation of carrying amounts		
	2023	2022
	\$	\$
<i>Leased land and buildings</i>		
Carrying amount at beginning	203,517	443,139
Remeasurement adjustments	48,787	(185,694)
Depreciation	(20,479)	(53,928)
Total written down amount	<u>231,825</u>	<u>203,517</u>

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2023

Note 17 Intangible assets

a) Carrying amounts	2023	2022
	\$	\$
<i>Franchise fee</i>		
At cost	723,067	723,067
Less: accumulated amortisation	(710,241)	(682,066)
Total written down amount	<u>12,826</u>	<u>41,001</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	41,001	96,586
Amortisation	(28,175)	(55,585)
Total written down amount	<u>12,826</u>	<u>41,001</u>
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.

Note 18 Tax assets and liabilities

a) Current tax	2023	2022
	\$	\$
Income tax payable	<u>91,675</u>	<u>32,160</u>
b) Deferred tax		
	2023	2022
	\$	\$
<i>Deferred tax assets</i>		
- expense accruals	1,300	975
- make-good provision	4,683	2,361
- lease liability	91,254	86,393
- carried-forward capital losses	43,278	33,065
Total deferred tax assets	<u>140,515</u>	<u>122,794</u>
<i>Deferred tax liabilities</i>		
- deductible prepayments	1,917	2,129
- property, plant and equipment	257,685	256,030
- right-of-use assets	57,957	50,879
Total deferred tax liabilities	<u>317,559</u>	<u>309,038</u>
Deferred taxes brought to account	<u>-</u>	<u>-</u>
Net deferred tax assets (liabilities)	<u>(177,044)</u>	<u>(186,244)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(9,200)</u>	<u>(4,317)</u>

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

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	2023 \$	2022 \$
Trade creditors	14,024	5,283
Other creditors and accruals	20,309	83,953
	<u>34,333</u>	<u>89,236</u>

Note 20 Loans and borrowings

a) Current liabilities	2023 \$	2022 \$
Current portion of secured bank loans	148,736	204,498
	<u>148,736</u>	<u>204,498</u>

b) Non-current liabilities	2023 \$	2022 \$
Secured bank loans	872,008	1,095,006
	<u>872,008</u>	<u>1,095,006</u>

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2023		30 June 2022	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	6.77 - 7.01%	2033-2035	1,020,744	1,020,744	1,299,504	1,299,504

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options	Reasonably certain to exercise options	Lease term end date used in calculations
Marcoola Branch	4.39%	5 years	2 x 5 years	Yes	March 2034

a) Current lease liabilities	2023 \$	2022 \$
Property lease liabilities	38,704	33,677
Unexpired interest	(15,562)	(14,796)
	<u>23,142</u>	<u>18,881</u>

Sunshine Coast Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2023

Note 21 Lease liabilities (continued)

	2023	2022
	\$	\$
b) Non-current lease liabilities		
Property lease liabilities	424,502	414,610
Unexpired interest	(82,629)	(87,918)
	<u>341,873</u>	<u>326,692</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	345,573	597,516
Remeasurement adjustments	39,986	(215,200)
Lease interest expense	16,317	24,908
Lease payments - total cash outflow	(36,861)	(61,651)
	<u>365,015</u>	<u>345,573</u>
d) Maturity analysis		
- Not later than 12 months	38,704	33,677
- Between 12 months and 5 years	161,923	141,731
- Greater than 5 years	262,579	272,879
Total undiscounted lease payments	<u>463,206</u>	<u>448,287</u>
Unexpired interest	(98,191)	(102,714)
Present value of lease liabilities	<u>365,015</u>	<u>345,573</u>

Note 22 Provisions

	2023	2022
	\$	\$
a) Non-current liabilities		
Make-good on leased premises	<u>18,730</u>	<u>9,442</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision for the Marcoola branch to be \$30,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as the cost to remedy any damages caused during the removal process. The lease is due to expire in March 2034 at which time it is expected the face-value costs to restore the premises will fall due.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 23 Issued capital

a) Issued capital	2023		2022	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,672,988	1,672,988	1,672,988	1,672,988
Bonus shares - fully paid (1:4)	31,250	-	31,250	-
Less: equity raising costs	-	(49,921)	-	(49,921)
	<u>1,704,238</u>	<u>1,623,067</u>	<u>1,704,238</u>	<u>1,623,067</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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.

Dividends

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).

Transfer

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*.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 23 Issued capital (continued)

b) Rights attached to issued capital (continued)

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 their associates) has a prohibited shareholding interest in 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 24 Reserves

a) Nature and purpose of reserves

The revaluation reserve relates to the revaluation of property, plant and equipment.

b) Disaggregation of reserve balances, net of tax

Reserves for the period ended 30 June 2023:

	Fair value reserve	Revaluation reserve	Total	Total other comprehensive income
	\$	\$	\$	\$
Balance at beginning of reporting period	-	587,750	587,750	-
Revaluation of property plant and equipment	-	-	-	-
Balance at end of reporting period	-	587,750	587,750	-

Reserves for the period ended 30 June 2022:

	Fair value reserve	Revaluation reserve	Total	Total other comprehensive income
	\$	\$	\$	\$
Balance at beginning of reporting period	-	587,750	587,750	-
Revaluation of property plant and equipment	-	-	-	-
Balance at end of reporting period	-	587,750	587,750	-

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 25 Retained earnings

	2023 \$	2022 \$
Balance at beginning of reporting period	131,247	42,952
Net profit after tax from ordinary activities	619,548	156,464
Dividends provided for or paid	(136,339)	(68,169)
Balance at end of reporting period	<u>614,456</u>	<u>131,247</u>

Note 26 Reconciliation of cash flows from operating activities

	2023 \$	2022 \$
Net profit after tax from ordinary activities	619,548	156,464
Adjustments for:		
- Depreciation	151,913	197,361
- Amortisation	28,175	55,585
- Lease liabilities interest	16,317	24,908
- (Profit)/loss on disposal of non-current assets	8,002	66,761
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(153,075)	(82,986)
- Increase/(decrease) in trade and other payables	(50,520)	(12,883)
- Increase/(decrease) in provisions	9,288	(39,536)
- Increase/(decrease) in tax liabilities	50,315	8,089
Net cash flows provided by operating activities	<u>679,963</u>	<u>373,763</u>

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.

	Note	2023 \$	2022 \$
Financial assets			
Trade and other receivables	14	312,818	157,890
Cash and cash equivalents	13	144,807	82,722
Term deposits	13	14,778	14,761
		<u>472,403</u>	<u>255,373</u>
Financial liabilities			
Trade and other payables	19	14,024	5,283
Secured bank loans	20	1,020,744	1,299,504
Lease liabilities	21	463,206	448,287
		<u>1,497,974</u>	<u>1,753,074</u>

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 28 Auditor's remuneration

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

	2023 \$	2022 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	6,800	6,200
<i>Non audit services</i>		
- General advisory services	3,080	3,520
Total auditor's remuneration	<u>9,880</u>	<u>9,720</u>

Note 29 Related parties

a) Related party transactions

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

	2023 \$	2022 \$
<i>Transactions with related parties</i>		
- Louise McNeish commenced renting part of the Cooroy property owned by the company from 1 June 2023. Rent is commercial, the same the company was receiving from the previous tenant with annual CPI adjustments and adjusted to market value each option of renewal. Rent is \$4,021 plus GST monthly	4,021	-
Total transactions with related parties	<u>4,021</u>	<u>-</u>

Community bank Directors' Privileges Package

The board has adopted the Community bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2023 (2022: \$nil).

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 2023		30 June 2022	
	Cents	\$	Cents	\$
Fully franked dividend	8.00	136,339	4.00	68,169
Total dividends provided for and paid during the financial year	<u>8.00</u>	<u>136,339</u>	<u>4.00</u>	<u>68,169</u>

The tax rate at which dividends have been franked is 25%.

Sunshine Coast Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2023

Note 30 Dividends provided for or paid (*continued*)

b) Franking account balance	2023	2022
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	355,676	302,017
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	113,739	76,382
- Franking debits from the payment of franked distributions	(45,446)	(22,723)
Franking account balance at the end of the financial year	<u>423,969</u>	<u>355,676</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	91,675	32,160
Franking credits available for future reporting periods	<u>515,644</u>	<u>387,836</u>
The ability to utilise franking credits is dependent upon the company's ability to declare dividends.		

Note 31 Earnings per share

a) Based 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.

	2023	2022
	\$	\$
Profit attributable to ordinary shareholders	<u>619,548</u>	<u>156,464</u>
	Number	Number
Weighted-average number of ordinary shares	<u>1,704,238</u>	<u>1,704,238</u>
Basic and diluted earnings per share	<u>0.36</u>	<u>0.09</u>

Note 32 Commitments

a) 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

NSX report

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.

<u>Number of shares held</u>	Number of shareholders	Number of shares held
1 to 1,000	348	215,663
1,001 to 5,000	229	483,449
5,001 to 10,000	34	245,084
10,001 to 100,000	32	760,042
100,001 and over	-	-
Total shareholders	<u>643</u>	<u>1,704,238</u>
Shareholders holding less than a marketable parcel of shares (\$500 in value)	<u>262</u>	<u>129,863</u>

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 262 shareholders holding less than a marketable parcel of shares (\$500 in value).

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 including equal holdings.

<u>Shareholder</u>	Number of fully paid shares held	Percentage of issued capital
MS LYNDAL JANE BROWN	92,776	5.44
SCIPIO NOMINEES PTY LTD	80,200	4.71
MS ALISON DIANNE COMBER	50,774	2.98
THOMAS LEIGH PTY LTD <THE WARING FAMILY SUPERANNUATION FUND>	37,324	2.19
WINPAR HOLDINGS LIMITED	33,725	1.98
NORTHERN SUBURBS SECRETARIAL SERVICES PTY LTD <JULETON A/C>	32,175	1.89
ZEDMONT PTY LTD <COOPER COLLINS SUPERFUND>	30,093	1.77
WILLEY MCBRYDE PTY LTD <THE WILLEY MCBRYDE SUPERANNUATION FUND>	30,000	1.76
JAMES HOWARD BELL	25,000	1.47
RAINMAKER TRADING PTY LIMITED <THE RADGE FAMILY SUPERANNUATION FUND>	24,850	1.46
	<u>436,917</u>	

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
Email: shares@rsdregistry.com.au

Corporate governance

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

- (a) The establishment of an Audit and Governance Committee. Members of the Audit and Governance Committee are David Green, Louise McNeich, Rick Cooper and Patricia Radge.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

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 2023 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 Directors Report (as part of the remuneration report), for the year ended 30 June 2023, comply with section 300A of the *Corporations Act 2001* and the *Corporations Regulation 2001*.

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

DocuSigned by:

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Patricia Radge, Chair

25 September 2023

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunshine Coast Community Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2023 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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.

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.

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 key audit procedures addressed this
<p>Revenue Share Model</p> <p>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.</p> <p>The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement.</p> <p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> ▪ Revenue is recognised appropriately and in line with AASB 15 Revenue from Contracts with Customers. ▪ Reliance on third party auditor EY to review the revenue share model. 	<ul style="list-style-type: none"> ▪ Review monthly profit share statements for the entire year and analytically assess the existence, accuracy and completeness of revenue. ▪ EY complete a Community Bank Revenue Share Arrangements report on factual findings biannually, which we plan to review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue.

There are no other key audit matters to disclose for the 30 June 2023 audit.



Andrew Frewin Stewart
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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. 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.

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. We have nothing to report in this regard.

Responsibilities of the Directors 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 responsibilities 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.



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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Sunshine Coast Community Financial Services Limited, for the year ended 30 June 2023, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned to the left of the signature block.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin', is positioned to the left of the signature block.

Joshua Griffin
Lead Auditor

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 **Bendigo Bank**