KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2017

Turramurra and Lindfield
Community Bank® branches

Bendigo Bank

KU-RING-GAI FINANCIAL SERVICES LIMITED

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Chairman's report

Alan Bardwell, Chairman

It is my pleasure as the Chairman of Ku-ring-gai Financial Services Limited to report on the company's progress during the year ended 30 June 2017.

The past year has been one of consolidation and growth despite the ongoing challenges of a low interest rate environment, housing affordability and tighter credit conditions. In November 2016, we saw the retirement of our previous Chair David Pegley and appointment of Vera Fiala as a director. Our Branch Manager Dean Castell completed his first full year with us and we were delighted to see our previous Branch Manager Warren Dwyer return to work part-time following recovery from a stroke last year.

The company has made good progress in terms of the first year of transition to the new revenue sharing arrangements with our partners Bendigo Bank, continuing to build our business portfolio, strengthening our engagement with the local community, and efficiently managing expenses. The company's performance has enabled a continuation of financial support to the local community while also providing a greater dividend to shareholders.

Operating results

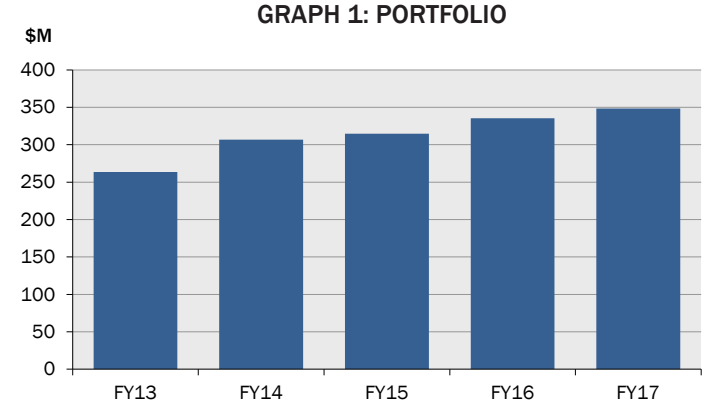
The company's financial results cover the operations of the Turramurra and Lindfield **Community Bank®** branches. During the financial year ended 30 June 2017, the company continued to grow the banking business portfolio to $348 million, which was an increase of 4% on the prior year (see Graph 1).

Over $124 million of this banking business, representing over 6% year on year increase, comprises loans, whether home, business, investment or personal, to local residents and businesses in the Ku-ring-gai community. Despite the very competitive banking environment, this growth in both portfolio and customers is particularly pleasing and a credit to the work of the staff of both branches. In particular, this growth has been achieved despite the company continuing to experience a considerable portion of existing customers choosing to use the low interest rate environment to reduce or fully repay loan balances.

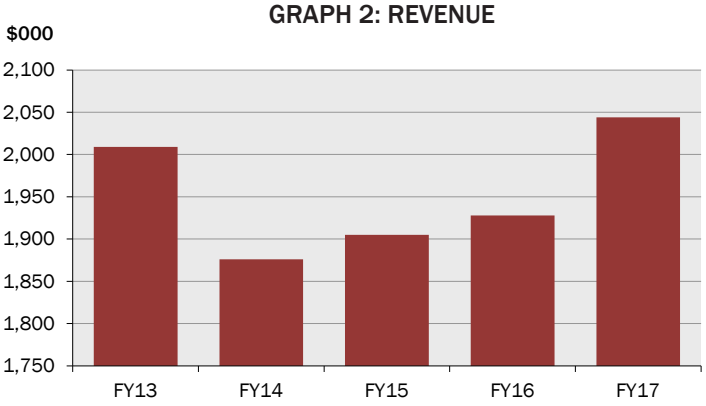
The company's revenue for the year was $2 million, up 6% on the prior year (see Graph 2). This result reflects the continued portfolio growth and the first year of the new revenue sharing arrangements with Bendigo Bank where margin income from both fixed and variable rate home loans and all deposits is shared more equitably.

Chairman's report continued

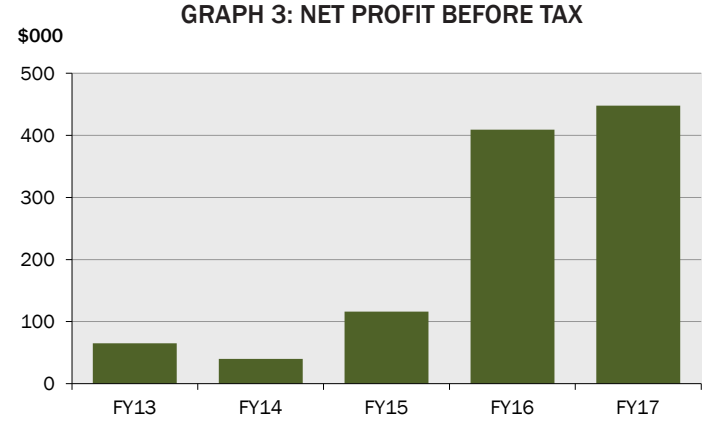
GRAPH 1: PORTFOLIO



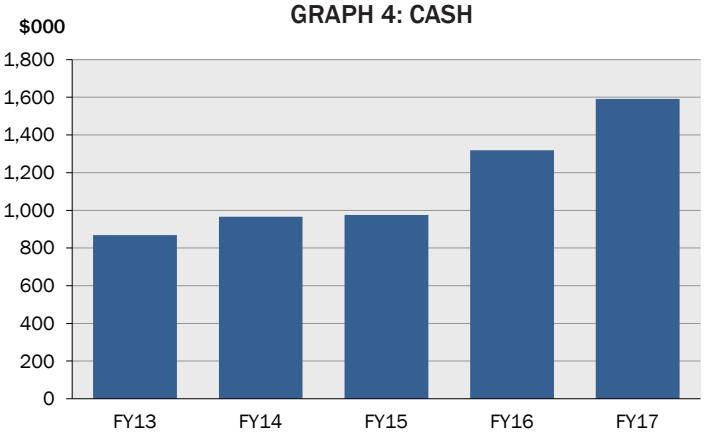
GRAPH 2: REVENUE



GRAPH 3: NET PROFIT BEFORE TAX



GRAPH 4: CASH



Net profit before tax of $448,103 and net profit after tax of $324,847 were up by 10% and 11% respectively on the prior year (see Graph 3). This result reflects continued portfolio growth while maintaining focus on efficiently managing operating expenses.

It is expected that profit growth though will continue to be challenging due to the low interest rate environment, softening of the housing market and generally tighter lending conditions.

One of the fundamental elements of the **Community Bank®** model is the engagement of **Community Bank®** branches in the community. This is a shared value model where the support and engagement provided by the **Community Bank®** company to the community provides long-term mutually sustainable value to all parties. The stronger financial performance enabled the company to contribute $76,586 into the community, an increase of 33% on the prior year.

The company's balance sheet remains strong, with year-end cash reserves of $1.59 million up from $1.32 million last year (see Graph 4).

Shareholder dividend

In consideration of the strong trading results, the directors declared a fully franked dividend of 5.5 cents per share which was paid in April 2017 (prior year 4.5 cents per share). This is the third and largest dividend paid since the opening of the Lindfield **Community Bank®** Branch and represents 38% of the surplus generated from operations.

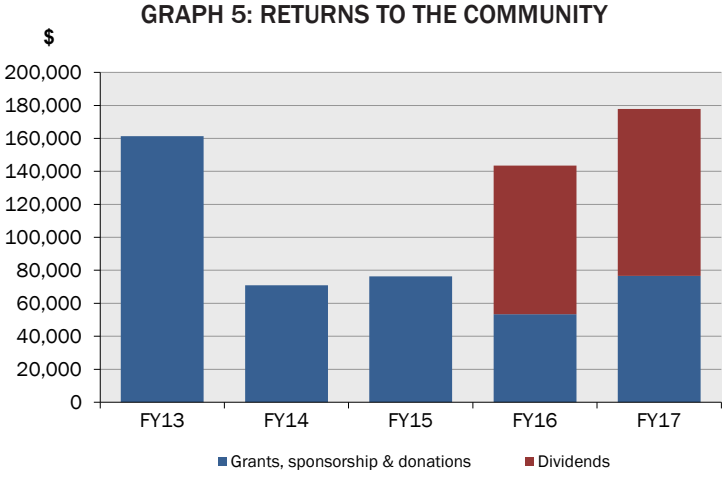
Community engagement

As indicated above, the company contributed $76,586 to the local community in the form of community grants, donations and sponsorships during the year ended 30 June 2017.

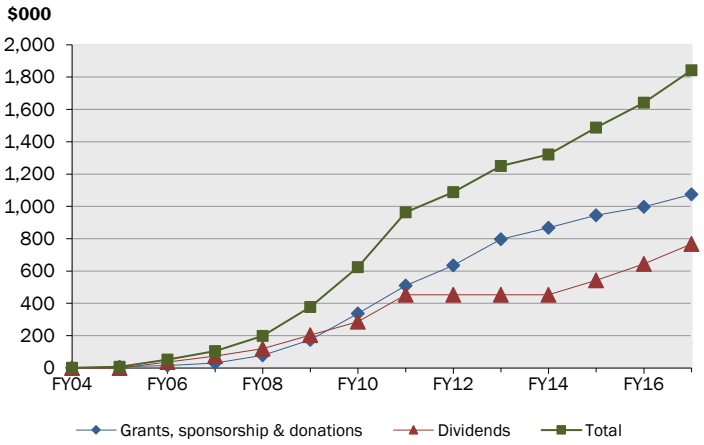
The focus of the company's community engagement activities is to operate a shared value model that looks to generate long-term sustainable value for both our community and shareholders. The board of KFSL manages its Community Engagement activities through the Community Engagement Committee (the Committee) whose primary role is to influence positive change in our community through both the distribution of funds and acting as a facilitator in co-ordinating community engagement. By so doing the Committee, working closely with our Community Development Manager Sharon Franke, enables KFSL to fulfil its objectives in the following areas:

- Enhancing the visibility of KFSL within the community and recognised as an outstanding community partner;
- Developing an ongoing mutually beneficial relationship between our community and KFSL;
- Building community capacity including enhancing the well-being of our community;
- Providing a reasonable return to KFSL on its investment in the community by increasing its customer base and level of banking business.

GRAPH 5: RETURNS TO THE COMMUNITY



GRAPH 6: CUMULATIVE COMMUNITY CONTRIBUTIONS



In 2016/17 the company supported over 45 community groups including eight local schools, 17 sporting clubs and over 20 other community groups. The support included sponsorships, donations and community grants and includes continuation of our Staff Grants Program, where our staff help to facilitate not only the provision of funds, but also the opportunity for organisations to share their story and publicise their services. It also includes our successful Community Grants Night where community groups receive much-needed funds and an opportunity to network with the company and one another.

Recipients of community support from the company this year include:

Chairman's report continued

Sharing success with Warrawee Bowling Club through the Referrals Reward Program

1st Lindfield Scouts
Australian Air League - Hornsby RSL
Bannockburn Rovers Football Club
Cromehurst School
Early Ed
East Lindfield Netball Club
Fresh Tracks Foundation
Gordon Bowling Club
Gordon East Public School
Hornsby Ku-ring-gai Women's Shelter
Jacaranda Lodge (SAN Hospital)
Killara Black and White Ball (KYDS/HKWS)
Killara West Pymble Rugby Club
Ku-ring-gai Community Workshop
Ku-ring-gai Lantern Club
Ku-ring-gai Rotary
Ku-ring-gai Scouts - rock climbing
KYDS
Lindfield Bowling Club
Lindfield Football Club
Lindfield Rugby Club
Novus Foundation
Pharmacy Cricket
Pymble Public School
Pymble Turramurra Preschool
Roseville Bowling Club
Roseville Golf Club
Roseville Public School P&C
Roseville Rugby Club
SAN Foundation
Save Marian Street Theatre
St Ives Bowling and Recreation Club
St Ives Football Club
St Ives Rotary
St Lucy's School
Stroke Recovery Association, Ku-ring-gai
Studio ARTES
Trish MS Research Foundation
Turramurra Bowling Club
Turramurra High School
Turramurra Rotary
Wahroonga Football Club
Wahroonga Rotary
Warrawee Anglican Church
Warrawee Bowling Club
Warrawee Public School P&C
Warrawee Wildcats Netball Club
Westmead Children's Hospital
Zonta Club

The contribution made over the past 12 months, brings the cumulative contributions to local community groups since the company's inception to $1,724,436 (see Graph 6).

Youth Observer Program

One aspect of our community engagement is our Youth Observer Program, which recognises the need to invest in the future leaders of our community. Following a review of the program last year to ensure it remained mutually beneficial to the schools and the company, it was agreed to continue our engagement with Turramurra High School.

In addition to our Youth Observers attending board meetings, the directors encourage them to participate in sub-committees of their interest, where possible, and to attend our community events.

We thank our 2016/17 Youth Observers Nick Tokaroff, Holly Lin, Sergey Ermakov and Nina Pangilinan from Turramurra High School for their participation and wish them all the best for their futures.

Staff enthusiastically participate in community engagement activities – Alex Milford (above) in the Bobbin Head Cycle Classic, and Annie Dobe and Michele Ferris (below) really took to heart Love Your Sister's Big Heart Project.

Our People

The success and growth of the company is largely determined by the quality, engagement and collaboration of the people involved in running it. This applies to all of our staff, to our board directors and to our partners at Bendigo Bank. I would like to take this opportunity to say a massive thank you to all of you for your significant efforts during the year.

Our Branch Manager, Dean Castell, continues to drive transformational change in our business aimed particularly at growing our loan portfolio in terms of both residential and business lending. This has included employing a Mobile Relationship Manager and changing the mix of staffing towards business origination. Dean and Sharon Franke, our Community Development Manager, continue to strengthen our community engagement and level of reciprocal business referrals. As I mentioned at the beginning of my report, it is also wonderful to have Warren Dwyer back with us on a part-time basis.

Our staff at both branches continue to receive outstanding reports from internal operating reviews and continue to find ways to improve the customer service experience. The positive feedback received from customers is evidence the staff are very much succeeding in this endeavour. Staff commitment to community engagement is also exemplified by the time they spend outside normal office hours supporting the company in its community activities.

The directors would particularly like to thank Dean Castell, Warren Dwyer and all the staff of the branches for their passion and commitment to the company, their customers and the local community.

The directors would also like to give special thanks to Julie Fidler, our Company Secretary, Bookkeeper and Share Registrar. Julie has been involved with the company since its inception in 2003 and decided this year that due to other commitments she would step down at the completion of the Annual General Meeting. Julie's support, dedication and ongoing contribution to the company over 14 years has been very significant for which the directors are most appreciative and wish Julie

The company continues to support our young people through education and recreation: High school students participant in the Hornsby Ku-ring-gai Youth Forum, and Piggy hangs out with children at Pymble Turramurra Preschool which received a grant for shade trees

all the best in her future endeavours. Last year, as part of our succession planning process, the board appointed Toni MacDermott as a Company Secretary. To also ensure a smooth transition the company is also appointing a part-time administrator to support Toni while share registry and bookkeeping activities have been outsourced to specialist third parties. The outsource arrangements enable these functions to continue to be performed to a high standard at reasonable cost while providing greater resilience to dependency on one individual.

The review of board composition and skills is an ongoing process with a review again carried out this year. The company has a very experienced and qualified board of directors and an active Board Observer Program to take the company through to the next growth phase. The Board Observer Program has seen two directors join the board during the year and we currently have two new Board Observers with very relevant expertise to potentially join the board when vacancies become available.

To the directors, all of whom volunteer many hours every month attending board meetings, committee meetings and attending to company business, I thank you for your dedication and hard work. I appreciate the support you provide the staff and me in many different ways. It is gratifying to see such a talented group of people coming together and giving of their time and skills in such a productive manner.

Bendigo Bank

The company has constantly looked for support at many levels from our partner Bendigo Bank and received it. My particular thanks to our Bendigo Bank Region Community Manager John Carvin for his excellent support and counsel during the year. We are also pleased to welcome Kylie Douglass as the new Bendigo Bank State Manager for NSW/ACT and Wayne Simpson as the new State Community Manager and look forward to growing a strong collaborative relationship with them both over the next few years. The improvement in engagement and communication with the **Community Bank®** branches is already noticeable.

Recently, Bendigo Bank began running the 'Be the change' campaign starting with a set of digital media videos to show how the **Community Bank®** model brings value to the community. This is a much needed investment in raising the brand awareness of Bendigo Bank and the **Community Bank®** model generally and we welcome the further marketing investment support that will come from this program during the 2017/18 financial year.

Outlook

The near-term outlook is a challenging one with the likely continuation of a low interest rate environment, signs of a softening housing market, and tighter credit conditions as regulators and industry become more concerned about the level and serviceability of household debt. The market is also expected to remain very competitive especially as digital disruptors continue to challenge the status quo. To meet these challenges and positively position the company for the eventual rise in interest rates, the directors and staff are focused on a strategy to proactively build the loan portfolio and improve returns. This will be achieved by:

- Expanding our referral channels and geographic reach including use of mobile lending;
- Further diversifying our community engagement and customers including a focus on small and medium sized enterprises;
- Strengthening our digital marketing and improving data analytics;
- Where appropriate, outsourcing services and moving to a shared service operational model;
- Ensuring board and staff skills and abilities are aligned to achieving the strategy, and
- Making sure we retain the great place to work and strong customer service culture.

Conclusion

Despite the challenging business environment, the 2016/17 financial year has been a positive year of consolidation and growth that has enabled the company to deliver social and economic benefits to the community and a strong return to shareholders. This has been achieved through a clear focus on building the business, retaining our commitment to excellent customer service and community engagement, and through the hard work of highly engaged staff. The board is committed to maintaining this ethos and continually looking for new business opportunities to enable the business to prosper.

Lastly, I would like to thank our more than 500 shareholders for their support of the **Community Bank®** model in Ku-ring-gai. I take this opportunity to remind all readers that your support as a customer and advocate of one of our **Community Bank®** branches remains vital in ensuring our continued success.

I look forward to seeing as many shareholders as possible at our 15th Annual General Meeting, which will be conducted at the Lindfield **Community Bank®** Branch on Wednesday 15 November 2017 commencing at 7:00 pm.

Alan Bardwell
Chairman

Staff from both branches (and Piggy!) enjoy a picnic breakfast meeting.
From left: Vikki Atkins, Dean Castell, Michele Ferris, Karen Chivas, Alex Milford, Murray McDonnell, Annie Dobe and Brenda Naylor

Branch Manager's report

The past 12 months have been challenging at both the Turramurra and Lindfield **Community Bank®** branches with record high property prices in the Upper North Shore resulting in property sales/discharges and customers paying down debt as low interest rates continue. This has been my first full year as Branch Manager at the Turramurra and Lindfield **Community Bank®** branches and I am happy to say I'm enjoying this role very much and together with the team, constant in remaining successful and committed to providing the best possible outcomes for our customers and our community.

Despite the challenges we had an overall portfolio growth from $335 million to $348 million ($13 million).

Our lending growth rose from $117 million to $124 million ($7 million). Deposit growth rose from $196 million to $201 million ($5 million). There was also a small growth in additional products to meet the $13 million total growth.

Supporting the Community

I am extremely proud to say that after this year's contributions in the way of Community Grants, Staff Grants, Sponsorships and Donations we have put back over $1.7 million into the community since opening our doors in Turramurra in 2003.

Here are just some of the community associations we supported this year:

Warrawee Bowling Club	Cromehurst School
Lindfield Rugby Club	Gordon East Public School
Pymble Turramurra Pre-school	Turramurra Bowling Club
Save Marian Street Theatre	Fresh Tracks Foundation
Studio ARTES	Ku-ring-gai Scouts

I would like to take this opportunity to acknowledge and thank all of the Ku-ring-gai Financial Services Limited (KFSL) directors for their ongoing support and consistently engaging with the community in so many ways. Also, I would like to thank the KFSL company shareholders that bank with us; your support plus our increasing customer base will only assist with our continued success. Last but definitely not least I would like to thank all of the branch staff for another successful year; your hard work and your dedication have been noted and I look forward to working with you all next year.

We only had one change to our team this year: Alexandra Milford – Part-time Customer Service Officer resigned after three years with us and we all wish Alex all the best in her future endeavours.

We look forward to another successful year ahead and we encourage our shareholders and customers to continue spreading the word to family and friends about the Turramurra and Lindfield **Community Bank®** branches and what banking with us can do for our community.

Dean Castell
Branch Manager

Bendigo and Adelaide Bank report
for the year ended 30 June 2017

As we approach 20 years since the first **Community Bank**® branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**® funded centres.
- Continue their education thanks to a **Community Bank**® scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**® grant.
- Reap the environmental benefits of **Community Bank**® funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**® branch.

In fact, since the model's inception your investment in local communities exceeds $165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**® model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**® model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**® company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**® branches would be just another bank.

Robert Musgrove
Executive Engagement Innovation

Directors' report

Your directors submit the financial report of the company for the financial year ended 30 June 2017.

Directors

The names and details of the company's directors who held office during or since the end of the financial year are as follows:

DIRECTOR'S DETAILS — COMMITTEE RESPONSIBILITIES

Alan James Bardwell — Chair
BA(Hons), CA, SFFin, GAICD — Convenor, Strategic Planning Committee

Alan has over 30 years' experience in the banking and finance industry including 16 years with Citigroup and more recently 10 years as Chief Financial Officer and then Chief Risk Officer at ASX Limited. Alan is a non-executive director of RT Health Ltd and Transport Health Pty Ltd. Alan was appointed Chairman of Ku-ring-gai Financial Services Ltd in November 2016. Alan has enjoyed strong associations with local Scouts, football and bushcare groups.
Interest in shares: 1000

Roman Zeno Tarnawsky — Deputy Chair
Management Consultant — Member of HR & Operations, Finance and Audit, and Strategic Planning Committees
Dip Civil Eng, Dip Mechanical Eng, Grad Dip Mgmt Admin, GAICD

Roman has lived in Turramurra since 1980 and has been active in local resident groups and youth sailing programs. His 30 year career has provided experience in engineering, logistics and retail marketing, including franchising and business-to-business marketing. Roman was appointed Vice Chairman on 1 July 2014. Other current directorships include Berowra & District Financial Services Limited.
Interest in shares: 2000

Nirmal Singh Hansra — Chair, Finance and Audit Committee
Non-executive company director
M.Comm(Business Management). FAICD, FCA, FCPA.

Nirmal brings to the company 35 years' experience in business management as CFO/Finance Director and 11 years' experience as a corporate advisor and independent director. Nirmal has considerable commercial, financial, audit and risk management skills, and strong business networks and contacts. In addition Nirmal speaks several Asian languages and adds multicultural understanding. He has lived in Killara since 1979 and has taken a keen interest in local schools and sporting clubs. Other current directorships include Eureka Group Holdings Ltd, Campbell Page Group Ltd, Campbell Page Ltd, Children's Tumour Foundation of Australia Ltd, Have A Voice Pty Ltd and COTA (NSW) Inc.
Interest in shares: Nil

Linda June McDonald — Chair, HR & Operations Committee
Executive Coach
BSc, AFAIM, FAITD

Linda has 20 years' experience consulting to medium to large businesses in executive coaching, leadership development and team development. She works from her home in Lindfield where she has lived for over 30 years. Prior to her consulting career she held senior management roles in human resources and human resource and organisation development with large corporates in Australia and Canada. She is a Fellow and Life Member of the Australian Institute of Training & Development where she was recognised for her volunteer service over many years. She is President of Support Lindfield, a local community group lobbying for a community hub in Lindfield. She is Vice President of the North Shore Rowing Club and is a keen rower and cyclist.
Interest in shares: 6000

Christopher Bradley Williamson — Member, Marketing Committee
Marketing Agency Owner — Member, Community Engagement Committee
BCom

Chris brings business development, marketing and technology experience to the board, as well as a Gen Y perspective. After working in finance and IT whilst studying for his Bachelor of Commerce majoring in Economics and Business Law at Macquarie University, Chris founded his own marketing agency based in Pymble.
Interest in shares: Nil

DIRECTOR'S DETAILS

COMMITTEE RESPONSIBILITIES

John Gallu
Business Consultant and Executive Coach
BCom, FAICD
Chair, Marketing Committee

John has had 15 years' banking experience with expertise in asset finance, margin lending, private banking and wealth management prior to operating his own consultancy business. John has connections in several local sporting and community groups.
Interest in shares: Nil

Sara Adams
Information Communications Technology executive
GAICD
Member, HR & Operations Committee
Member, Strategic Planning Committee

Sara has had over 24 years' experience in the ICT industry with expertise in sales, marketing and distribution channels. Sara is active in her local sporting clubs.
Interest in shares: Nil

Toni Lorraine MacDermott
Operations Manager
GAICD
Company Secretary
Chair, Community Engagement Committee
Member, Governance and Risk Committee

Toni has over 20 years' experience in the Information and Technology industry including 8 years with Oracle Corporation and more recently 2 years as Director, Professional Services Operations at vMware Corporation. Toni is also company secretary for The 100% Project and enjoys strong associations with local schools, netball, rugby and charities.
Interest in shares: Nil

Rowenna Margaret Allabush ***(appointed 22 August 2016)***
Civil Engineer
BEng(Hons), CEng, MICE, GAICD
Member, Marketing Committee

Rowenna has over 20 years in the engineering industry, bringing experience in operational and people management including P&L responsibility, business development and marketing as well as strategy development and execution. Rowenna currently lives in Pymble and previously Roseville. She is involved locally, participating in local schools, sports and volunteer organisations.
Interest in shares: Nil

Vera Fiala ***(appointed 21 November 2016)***
Non-executive director
BEng(Hons), MEnvEngSci, GradDipBusAdmin, GAICD
Chair, Governance and Risk Committee

Vera has been a senior executive with 25 years international expertise in healthcare, natural resource management, primary industries, shared services and public administration. She is now a consultant, helping for-purpose organisations run more effectively. She also runs her own creative business and is active in the local community through sporting clubs and mental health organisations.
Interest in shares: Nil

David Lawrence Pegley ***(resigned 16 November 2016)***
Chief Executive Officer
BSc(Hons), MBA, FAICD, JP

David has had 15 years' experience in banking and financial services in Australia and New Zealand followed by 13 years in managed services, technology and logistics. He brings considerable experience and expertise in strategic and profitable business growth, stakeholder engagement, and change management in complex multi-party business and regulatory environments.
Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated.
No director has material interests in contracts or proposed contracts with the company.

Directors' report continued

Company Secretaries

The company secretaries are Julie Fidler and Toni MacDermott.
Julie was appointed to the position of secretary at the first meeting of directors of the company on 11 December 2002. Julie has worked in business administration for over 30 years with listed, public and not-for-profit companies. Toni has a background in business and IT operations and is also a director of the company.

Principal activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited. There have been no significant changes in the nature of these activities during the year.

Operating results

The results for the year can be summarised as follows:

	2017 000s	2016 000s	INCREASE/(DECREASE) %
Revenue	2,044	1,928	6
Operating surplus	525	467	13
Community investment	77	58	33
Profit before tax	448	409	10
Portfolio ($ million)	348	335	4
Customer numbers	5,158	5,154	–

The company is pleased with the operating results despite continuation of the low interest rate environment. Whilst revenue increased by 6%, costs were kept under control resulting in operating surplus increasing by 13%. The improved operating result enabled the company to provide a greater level of business support and investment in our community, pay a higher dividend to shareholders, while also continuing to meet our obligations under the franchise agreement.

The company increased its business banking portfolio by 3% to $348 million and managed to maintain its customer numbers in a highly competitive environment.

Dividends

With improved trading performance, the company increased its dividend to shareholders by 22% paying 5.5 cents per share (2016: 4.5 cents) amounting to a total dividend of $123,810 (2016: $101,299).

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

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

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 19 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.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the branch manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or branch manager of the company except where the liability arises out of conduct involving the lack of good faith.
Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	BOARD MEETINGS		COMMITTEE MEETINGS							
			FINANCE & AUDIT		HR & OPS[1]		MARKETING		CE[2]	
	ELIGIBLE	ATTEND	ELIGIBLE	ATTEND	ELIGIBLE	ATTEND	ELIGIBLE	ATTEND	ELIGIBLE	ATTEND
Alan James Bardwell	11	9	1	1	–	–	–	–	–	–
Roman Zeno Tarnawsky	11	8	–	–	5	4	–	–	9	9
Nirmal Singh Hansra	11	9	6	6	–	–	–	–	–	–
Linda June McDonald	11	11	–	–	5	5	–	–	–	–
Christopher Bradley Williamson	11	10	–	–	–	–	10	9	9	8
John Gallu	11	8	–	–	–	–	10	10	–	–
Sarah Adams	11	8	–	–	5	5	–	–	–	–
Toni Lorraine MacDermott	11	8	–	–	–	–	–	–	9	9
Rowenna Margaret Allabush *(appointed 22 August 2016)*	10	8	–	–	–	–	10	9	–	–
Vera Fiala *(appointed 21 Nov 2016)*	7	6	5	5	–	–	–	–	–	–
David Lawrence Pegley *(resigned 16 Nov 2016)*	4	4	–	–	–	–	–	–	–	–

1 Human Resources and Operations Committee
2 Community Engagement Committee

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*.

Directors' report continued

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 the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

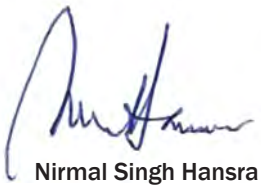
- all non-audit services have been reviewed by the directors to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 15.

Signed in accordance with a resolution of the board of directors at Lindfield, New South Wales on 15 September 2017.

Alan James Bardwell
Chairman



Nirmal Singh Hansra
Director

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Ku-ring-gai Financial Services Limited

As lead auditor for the audit of Ku-ring-gai Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 15 September 2017

David Hutchings
Lead Auditor

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2017

	NOTES	2017 $	2016 $
Revenues from ordinary activities	4	2,043,682	1,928,416
Employee benefits expense		(865,419)	(764,767)
Charitable donations, sponsorships, advertising and promotion		(110,900)	(107,794)
Occupancy and associated costs		(263,322)	(283,838)
Systems costs		(97,914)	(102,615)
Depreciation and amortisation expense	5	(72,547)	(77,021)
General administration expenses		(185,477)	(183,849)
Profit before income tax expense		**448,103**	**408,532**
Income tax expense	6	(123,256)	(116,489)
Profit after income tax expense		**324,847**	**292,043**
Total comprehensive income for the year		**324,847**	**292,043**
Earnings per share for profit attributable to the ordinary shareholdres of the company		¢	¢
– basic earnings per share	22	14.43	12.97

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2017

	NOTES	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	7	1,590,786	1,319,481
Trade and other receivables	8	226,520	198,433
Total current assets		**1,817,306**	**1,517,914**
Non-current assets			
Trade and other receivables	8	–	25,000
Property, plant and equipment	9	235,944	281,335
Intangible assets	10	33,930	61,086
Deferred tax assets	11	23,144	20,521
Total non-current assets		**293,018**	**387,942**
Total assets		**2,110,324**	**1,905,856**
LIABILITIES			
Current liabilities			
Trade and other payables	12	103,384	91,956
Current tax liabilities	11	83,697	90,713
Provisions	13	72,481	56,430
Total current liabilities		**259,562**	**239,099**
Non-current liabilities			
Provisions	13	29,458	46,490
Total non-current liabilities		**29,458**	**46,490**
Total liabilities		**289,020**	**285,589**
Net assets		**1,821,304**	**1,620,267**
EQUITY			
Issued capital	14	1,258,525	1,258,525
Retained earnings	15	562,779	361,742
Total equity		**1,821,304**	**1,620,267**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2017

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2015	**1,258,525**	**170,998**	**1,429,523**
Total comprehensive income for the year	–	292,043	292,043
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(101,299)	(101,299)
Balance at 30 June 2016	**1,258,525**	**361,742**	**1,620,267**
Balance at 1 July 2016	**1,258,525**	**361,742**	**1,620,267**
Total comprehensive income for the year	–	324,847	324,847
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(123,810)	(123,810)
Balance at 30 June 2017	**1,258,525**	**562,779**	**1,821,304**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2017

	NOTES	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		2,179,705	1,885,393
Payments to suppliers and employees		(1,686,843)	(1,466,634)
Interest received		34,431	28,831
Income taxes paid		(132,895)	(19,058)
Net cash provided by operating activities	16	**394,398**	**428,532**
Cash flows from investing activities			
Payments for property, plant and equipment		–	(9,209)
Payment for intangible assets		(24,283)	–
Net cash provided by/(used in) investing activities		**(24,283)**	**(9,209)**
Cash flows from financing activities			
Loans repaid		25,000	25,000
Dividends paid		(123,810)	(101,299)
Net cash used in financing activities		**(98,810)**	**(76,299)**
Net increase in cash held		**271,305**	**343,024**
Cash and cash equivalents at the beginning of the financial year		1,319,481	976,457
Cash and cash equivalents at the end of the financial year	7(a)	**1,590,786**	**1,319,481**

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2016

1 Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch leases to be capitalised.

Economic dependency – Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Turramurra and Lindfield, New South Wales.

The branches operate as franchises of Bendigo and Adelaide Bank Limited, using the name 'Bendigo Bank' and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any

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

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

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

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

- advice and assistance in relation to the design, layout and fitout of the **Community Bank**® branches;
- 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; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited 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.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

1 Summary of significant accounting policies continued

***b) Revenue** continued*

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

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

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a 'Market Development Fund' (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

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

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

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

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**® model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

1 Summary of significant accounting policies continued

e) *Cash and cash equivalents*

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- furniture and fittings 4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of profit or loss and other comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) 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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed equity

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.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

1 Summary of significant accounting policies continued

p) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

2 Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) 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.

(iii) Credit risk

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

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance sheet.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period 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 2017 are included 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.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of profit or loss and other comprehensive income.

Estimation of the useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

3 Critical accounting estimates and judgements continued

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that 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). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2017 $	2016 $
4 Revenue from ordinary activities		
Operating activities:		
– services income	1,954,722	1,791,506
– market development fund	45,000	100,000
– other revenue	7,143	6,656
Total revenue from operating activities	**2,006,865**	**1,899,162**
Non-operating activities:		
– interest received	36,817	29,254
Total revenue from non-operating activities	36,817	29,254
Total revenues from ordinary activities	**2,043,682**	**1,928,416**

	2017 $	2016 $
5 Expenses		
Depreciation of non-current assets:		
– furniture and fittings	5,214	5,401
– leasehold improvements	40,177	39,930
Amortisation of non-current assets:		
– franchise agreement	4,324	4,519
– establishment fee	4,258	15,710
– franchise renewal fee	18,574	11,461
	72,547	**77,021**
Bad debts	37	20
6 Income tax expense		
The components of tax expense comprise:		
– Current tax	125,851	101,450
– Movement in deferred tax	(2,624)	28,953
– Adjustment to deferred tax to reflect change of tax rate in future periods	–	1,866
– Under/(over) provision of income tax in the prior year	29	(15,780)
	123,256	**116,489**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	**448,103**	**408,531**
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)	124,224	116,431
Add tax effect of:		
– non-deductible expenses	–	–
– timing difference expenses	1,627	(12,767)
– other deductible expenses	–	(2,214)
	125,851	**101,450**
Movement in deferred tax	(2,624)	28,953
Adjustment to deferred tax to reflect change of tax rate in future periods	–	1,866
Under/(over) provision of income tax in the prior year	29	(15,780)
	123,256	**116,489**

	2017 $	2016 $
7 Cash and cash equivalents		
Cash at bank and on hand	229,675	108,873
Term deposits	1,361,111	1,210,608
	1,590,786	**1,319,481**
***7(a)* Reconciliation to cash flow statement**		
The above figures reconcile to the amount of cash shown in the Statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	229,675	108,873
Term deposits	1,361,111	1,210,608
	1,590,786	**1,319,481**
8 Trade and other receivables		
Current		
Trade receivables	147,783	150,831
Prepayments	15,511	13,762
Other receivables and accruals	36,226	33,840
	226,520	**198,433**
Non-current		
Other receivables and accruals	–	**25,000**
9 Property, plant and equipment		
Leasehold improvements		
At cost	401,772	401,772
Less accumulated depreciation	(209,013)	(168,836)
	192,759	**232,936**
Furniture and fittings		
At cost	87,765	87,765
Less accumulated depreciation	(44,580)	(39,366)
	43,185	**48,399**
Total written down amount	**235,944**	**281,335**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	232,936	269,479
Additions	–	3,387
Disposals	–	–
Less: depreciation expense	(40,177)	(39,930)
Carrying amount at end	**192,759**	**232,936**

	2017	2016
	$	$
Furniture and fittings		
Carrying amount at beginning	48,399	47,978
Additions	–	5,822
Disposals	–	–
Less: depreciation expense	(5,214)	(5,401)
Carrying amount at end	**43,185**	**48,399**
Total written down amount	**235,944**	**281,335**

10 Intangible assets

Franchise fee		
At cost	97,018	97,018
Less: accumulated amortisation	(91,363)	(87,039)
	5,655	**9,979**
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(65,742)
	–	**4,258**
Renewal processing fee		
At cost	135,085	135,085
Less: accumulated amortisation	(106,810)	(88,236)
	28,275	**46,849**
Total written down amount	**33,930**	**61,086**

11 Tax

Current:		
Income tax payable	83,697	90,713
Non-current:		
Deferred tax asset		
– accruals	3,709	2,558
– employee provisions	30,783	28,303
	34,492	30,861
Deferred tax liability		
– accruals	2,962	2,306
– deductible prepayments	8,386	8,034
	11,348	10,340
Net deferred tax asset	**23,144**	**20,521**
Movement in deferred tax charged to Statement of profit or loss and other comprehensive income	**(2,623)**	**30,818**

	2017	2016
	$	$
12 Trade and other payables		
Current:		
Trade creditors	26,167	10,077
Other creditors and accruals	77,217	85,879
	103,384	**95,956**
13 Provisions		
Current:		
Provision for annual leave	60,110	52,430
Provision for long service leave	12,371	–
	72,481	**52,430**
Non-Current:		
Provision for long service leave	29,458	46,490
14 Contributed equity		
2,251,085 ordinary shares fully paid (2016: 2,251,085)	1,326,925	1,326,925
Less: equity raising expenses (Turramurra)	(40,196)	(40,196)
Less: equity raising expenses (Lindfield)	(28,204)	(28,204)
	1,258,525	**1,258,525**

Rights attached to shares

(a) *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.

(b) *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 and Adelaide Bank Limited 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).

(c) *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*.

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').
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the 'base number test'). The base number is 343. As at the date of this report, the company had 617 shareholders.

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

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

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

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

	2017 $	2016 $
15 Retained earnings		
Balance at the beginning of the financial year	361,742	170,998
Net profit from ordinary activities after income tax	324,847	292,043
Dividends paid or provided for	(123,810)	(101,299)
Balance at the end of the financial year	**562,779**	**361,742**

16 Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	324,847	292,043
Non cash items:		
– depreciation	45,391	45,331
– amortisation	27,156	31,690
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(28,087)	(22,969)
– (increase)/decrease in other assets	(2,623)	30,818
– increase/(decrease) in payables	31,711	292
– increase/(decrease) in provisions	3,019	(15,286)
– increase/(decrease) in current tax liabilities	(7,016)	66,613
Net cash flows provided by operating activities	**394,398**	**428,532**

17 Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	223,818	225,580
— between 12 months and 5 years	294,275	415,735
	518,093	**641,315**

Each premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease on the Turramurra branch premises expires in August 2018 and the lease on the Lindfield branch premises expires in November 2021.

18 Auditors' remuneration		
Amounts received or due and receivable by the auditor of the company for:		
– audit and review services	7,100	7,230
– tax services	585	575
– non-audit services	1,529	1,796
	9,214	**9,601**

19 Director and related party disclosures

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

Alan James Bardwell
Roman Zeno Tarnawsky
Nirmal Singh Hansra
Linda June McDonald
Christopher Bradley Williamson
John Gallu
Sara Adams
Toni Lorraine MacDermott
Rowenna Margaret Allabush *(appointed 22 August 2016)*
Vera Fiala *(appointed 21 November 2016)*
David Lawrence Pegley *(resigned 16 November 2016)*

Directors' shareholdings

	2017	2018
	#	#
Alan James Bardwell	1,000	1,000
Roman Zeno Tarnawsky	2,000	2,000
Nirmal Singh Hansra	–	–
Linda June McDonald	6,000	6,000
Christopher Bradley Williamson	–	–
John Gallu	–	–
Sara Adams	–	–
Toni Lorraine MacDermott	–	–
Rowenna Margaret Allabush *(appointed 22 August 2016)*	–	–
Vera Fiala *(appointed 21 November 2016)*	–	–
David Lawrence Pegley *(resigned 16 November 2016)*	–	–

There was no movement in directors' shareholdings during the year.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.	$	$
Christopher Williamson is a director of Tower Brands Pty Ltd which provided website design, website hosting and graphic design services to the company during the financial year	1,809	2,512

	2017 $	2016 $
20 Dividends paid or provided		
a) Dividends paid during the year		
Current year dividend		
100% (2016: 100%) franked dividend - 5.5 cents (2016: 4.5 cents) per share	123,810	101,299
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		
b) Franking account balance		
Franking credits available for subsequent reporting periods are:		
– franking account balance as at the beginning of the financial year	121,893	142,932
– franking credits that will arise from payment of income tax instalments during the financial year	49,800	14,332
– franking credits from payment of income tax following lodgement of annual income tax returns	83,093	8,042
– franking debits from the payment of fully franked dividends	(46,962)	(43,413)
– franking account balance as at the end of the financial year	207,824	121,893
– franking credits that will arise from payment of income tax payable as at the end of the financial year	83,697	90,713
– franking debits that will arise from the payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	–	–
Net franking credits available	**291,521**	**212,606**

21 Key Management Personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

22 Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	324,847	292,043
	NO.	NO.
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,251,085	2,251,085

23 Events occurring after the reporting date

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

24 Contingent liabilities and contingent assets

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

25 Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Turramurra and Lindfield, New South Wales pursuant to franchise agreements with Bendigo and Adelaide Bank Limited.

26 Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business is:

Registered office	Principal place of business	Other place of business
1273 Pacific Highway	1273 Pacific Highway	318 Pacific Highway
Turramurra NSW 2074	Turramurra NSW 2074	Lindfield NSW 2070

27 Financial instruments

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN						NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS					
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial assets												
Cash and cash equivalents	229,275	108,473	1,361,111	1,210,608	–	–	–	–	400	400	2.40	2.46
Receivables	–	–	–	–	–	–	–	–	199,783	200,831	N/A	N/A
Financial liabilities												
Payables	–	–	–	–	–	–	–	–	26,167	10,077	N/A	N/A

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance sheet and Notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant, would be as follows:

	2017 $	2016 $
Change in profit/(loss):		
Increase in interest rate by 1%	15,904	13,191
Decrease in interest rate by 1%	(15,904)	(13,191)
Change in equity:		
Increase in interest rate by 1%	15,904	13,191
Decrease in interest rate by 1%	(15,904)	(13,191)

Directors' declaration

In accordance with a resolution of the directors of Ku-ring-gai 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 2017 and of its performance for the financial year ended on that date; and

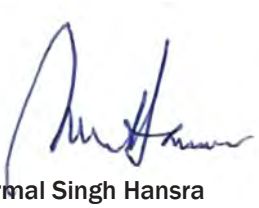
(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 *Related Party Disclosures* and the Corporations Regulations 2001.

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

Alan James Bardwell
Chairman



Nirmal Singh Hansra
Director

Signed on 15 September 2017

Independent auditor's report

to the members of Ku-ring-gai Financial Services Limited

AFS
Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Ku-ring-gai Financial Services Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Ku-ring-gai 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 2017 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards.

What we have audited
Ku-ring-gai Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

Independent auditor's report continued

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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 15 September 2017

David Hutchings
Lead Auditor

Franchisee: Ku-ring-gai Financial Services Limited
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