KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2015

Turramurra and Lindfield
Community Bank® branches

Bendigo Bank

KU-RING-GAI FINANCIAL SERVICES LIMITED

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Cover: The Turramurra High School *Inside Out* Project. Principal Stephanie McConnell cuts the ribbon assisted by Community Development Manager Sharon Franke and Branch Manager Warren Dwyer

Chairman's report

Dina Coppel, 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 2015.

The past year has been one of considerable change. We saw the departure of our founding Turramurra **Community Bank**® Branch Manager, Denice Kelly and the retirement of two directors, former Chairman David Langdon, and long-time director, Peter Millard. Our Lindfield **Community Bank**® Branch Manager, Warren Dwyer was appointed to manage both branches and we have seen three new board directors and a new company secretary join the board. It has also been a period of continued record low interest rates proving challenging for both revenue generation and portfolio growth.

Operating results

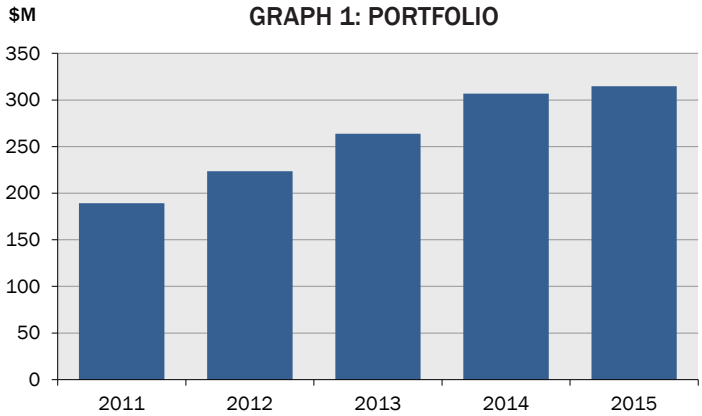
The company's financial results cover the operations of the Turramurra and Lindfield **Community Bank**® branches. During the financial year ended 30 June 2015, the company continued to grow the banking business portfolio to $314.8 million, which was an increase of $8 million or 2.6% on the prior year (see Graph 1).

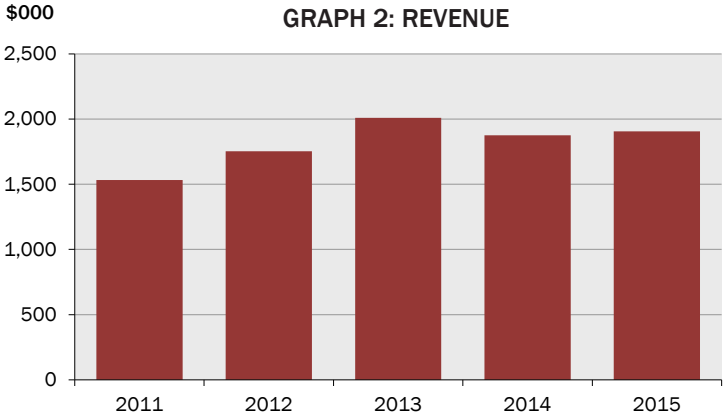
Over $116 million of this banking business comprises loans, whether home, business, investment or personal, to local residents and businesses in the Ku-ring-gai community. The company had a total of 4,998 customers (2014: 4,291) and 7,308 customer accounts (2014: 6,988) as at year-end.

Despite the very competitive banking environment, this growth in both portfolio and customers is particularly pleasing and a credit to the work of the Managers and staff of both branches. In particular, this growth should be recognised in light of the fact that a considerable portion of existing customers have chosen to use the low interest rate environment to reduce or repay loan balances.

The company's revenue for the year was $1.9 million with net profit before tax rising to $115,704. After provision for income tax, there was a net profit attributable to members of $83,214, which represents an increase of 190% in pre-tax profit and 196% in after tax profit (see Graphs 2 and 3).

Total revenue increased by only 1.5% for the year, reflecting both the low interest rates and competitive financial environment making margins slimmer, and the reduced rates of commissions we receive from Bendigo Bank which became effective from 1 April 2013.





Chairman's report continued

As noted in the financial statements, the revenue sharing arrangements with Bendigo Bank will change from 1 July 2016. This will see income from both fixed and variable rate home loans and all deposits calculated on a margin share basis, which will be more equitable. However, in the prevailing low interest rate environment this will continue to be a challenge for revenue and profit growth.

One of the fundamental elements of the **Community Bank**® model is the investment by **Community Bank**® branches in the community. Despite business constraints, the company was still able to invest $76,348 into the community, bringing total cumulative contributions to the community of $944,430 over the life of the company.

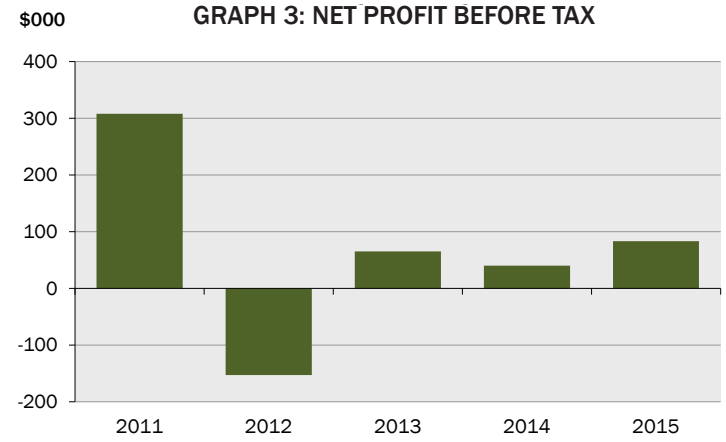
The company's balance sheet remains strong, with year-end cash reserves remaining steady at $976,000 compared to $966,000 last year. During the year, the company helped fund the Turramurra High School *Inside Out* Project through a three year interest free loan to Turramurra High School Parents & Citizens Association, using our strong cash position (see Graph 4).

Dividend

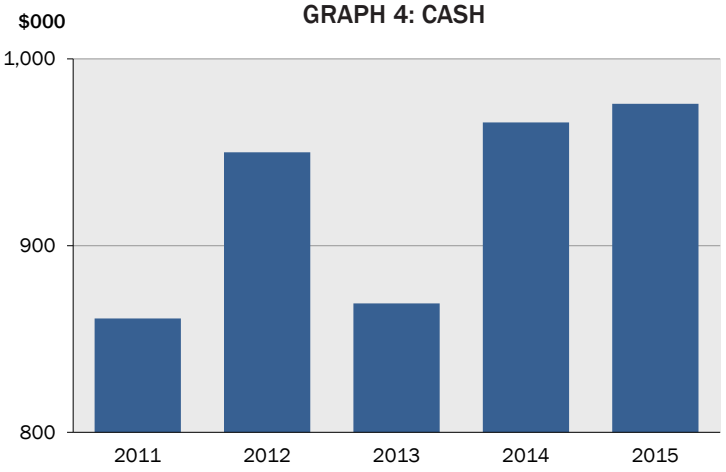
At this time last year, the directors had resolved not to pay a dividend in respect of the year ended 30 June 2014, in light of the difficult financial position. However, as the trading results improved during the year and with the strong cash position of the company, in March 2015 the directors declared a fully franked dividend of 4 cents per share which was paid in May 2015. This was the first dividend paid since the opening of the Lindfield **Community Bank**® Branch.

Reflecting support for the community, the board offered shareholders the opportunity to direct their dividend to one of three nominated community groups as a tax-deductible donation. Only a small proportion of shareholders did direct their dividends in this way. The three community groups were the NSW Rural Fire Service, Cromehurst Special School and KYDS.

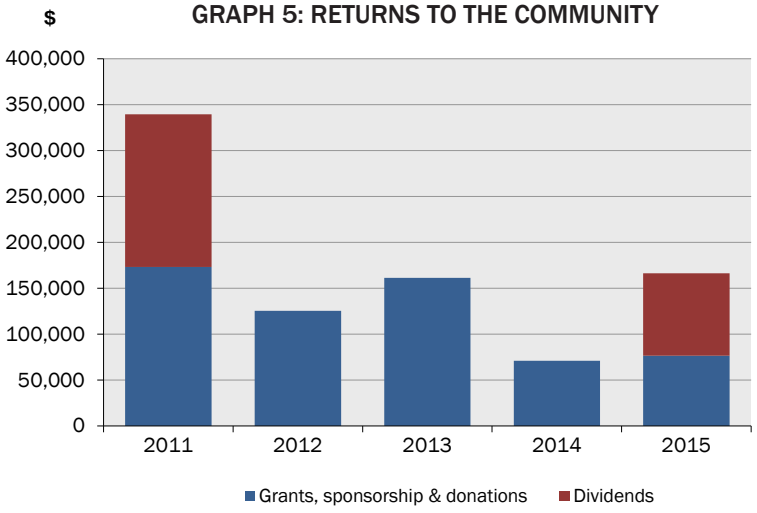
GRAPH 3: NET PROFIT BEFORE TAX



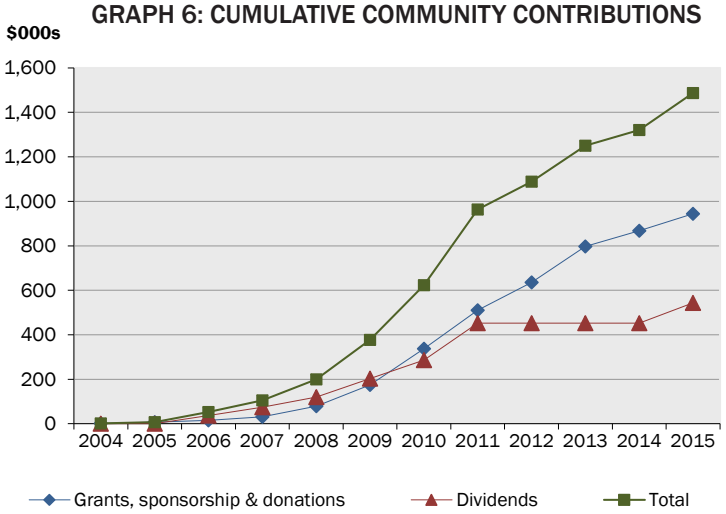
GRAPH 4: CASH



GRAPH 5: RETURNS TO THE COMMUNITY



GRAPH 6: CUMULATIVE COMMUNITY CONTRIBUTIONS



Investing in our community

As indicated above, the company, through our Turramurra and Lindfield **Community Bank**® branches, contributed $76,348 to the local community in the form of community grants, donations and sponsorships during the year ended 30 June 2015. In addition, dividends of $90,043 were paid, bringing total community payments this year to $166,391 (2014: $71,000) (see Graph 5).

The company has continued to work on refocusing its community investment and facilitation to maximise the benefits for the community. We have maintained 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. This facilitation of community network and engagement is not only valuable to the recipients, but also deeply satisfying for our staff.

We are also seeking to encourage our community organisations to see their relationship with us as mutually beneficial, so that a greater amount of banking business from their members can result in a greater contribution to their organisation. This has seen our relationships with a number of sporting and school groups develop significantly. As of 1 July 2015, the company has appointed a Community Development Manager to continue to focus on building engagement with community groups and spreading the message of the **Community Bank**® model and benefits.

During the year we also held a Community Grants program, which started prior to year-end but was not awarded until after year end at a very successful Community Grants Night. This process not only allowed us to provide funds to a number of community groups to assist with programs they may have otherwise struggled to achieve, but also introduced a number of other organisations to each other as well as to the company. Feedback from the Grants Night attendees was very positive.

The contribution made over the past 12 months, brings the cumulative contributions to local community groups since the company's inception to $944,430. When one includes the $542,831 in dividends paid to date, the company has now returned more than $1.48 million to local residents and community groups (see Graph 6).

Former Chairman David Langdon met up with Piggy and current Chairman Dina Coppel at the Turramurra Lookout Community Garden open day

Clive Onley presents a Staff Grant to his chosen community group Punchin' Parkos, a boxing program helping people with Parkinson's disease

Chairman's report continued

Recipients of community investment from the company this year include: Adventist Development and Relief Agency, Beaumont Road Public School, Beautify Turramurra, Bradfield Comedy Debate, Children's Tumour Foundation of Australia, The Deluminators, Dial-a-mum Inc., East Roseville Bowling Club, Gordon Bowling Club, Gordon Netball Club, Hamlin Fistula, Handley Avenue Preschool, Hornsby Ku-ring-gai Messiah Production, Jewish Arts Inc, Killara Bowling Club, Killara High School, Ku-ring-gai Art Society, Ku-ring-gai Bowls Tournament, Ku-ring-gai Community Workshop 'The Shed', Ku-ring-gai Council, Ku-ring-gai Meals on Wheels, Ku-ring-gai Netball Association, Ku-ring-gai Philharmonic Orchestra, KYDS Mental Health Forum, Lantern Club, Lindem Netball Club, Lindfield Bowling Club, Lindfield East Public School, Lindfield Public School, Lindfield Rugby Club, Lindfield Women's Bowling Club, Lynch Syndrome Australia, McEwen Fundraiser, North Shore Temple Emanuel Preschool, North Turramurra Football Club, Novus Foundation, Our Lady of Perpetual Succour School, Pharmacy Cricket, Punchin' Parkos, Pymble Turramurra Kindergarten, Roseville Golf Club, Rotary Club of Lindfield (Fun Run and RYLA), Rotary Club of Turramurra (RYLA and Qantas Flight for the Disabled), Studio D'Artes, Support Lindfield, Technology Ski Club, Thomas Carlyle Children's Centre, Trish Foundation, Turramurra Bowling Club, Turramurra Croquet Club, Turramurra High School, Turramurra Lookout Community Garden, Warrawee Public School, West Pymble Football Club, Women's Community Shelter, World Youth Leadership, Zonta Club.

Community Forums

Community Bank® companies such as ours operating in the suburban environment have an opportunity to play a major role in helping reinvigorate our local communities. Projects may be large or small and are invariably carried out in conjunction with other community groups and with the assistance of local, state or even federal governments. Ultimately they are intended to be driven by the local community, for the benefit of the local community.

The Support Lindfield Committee, which evolved from the Lindfield Community Forum initiated by the company in September 2012, has made great strides. The Committee's vision for the creation of a local multi-

Piggy hard at work as a volunteer on the Turramurra High School *Inside Out* Project

Directors and staff attending the official opening of the Turramurra High School *Inside Out* Project, from left: John Gallu, Warren Dwyer, Vikki Atkins, Annie Dobe, Nirmal Hansra, Sharon Franke, Ian Langford-Brown, David Langdon

purpose commercial, community and car park facility continues to develop and take shape, with the Ku-ring-gai Council having sought public input during the past year. The development of this site may affect the location of the Lindfield **Community Bank**® Branch, but at this point the directors have no information that they are able to act upon.

Support Turramurra, Beautify Turramurra, Helping Hand and Turramurra High School's *Inside Out* Project were four initiatives that arose from the Turramurra Community Forum in 2013. The company is particularly delighted to have been a significant partner in assisting Turramurra High School to bring their proposed outdoor learning environment to reality during the year.

Youth Observer program

One aspect of our community investment is our highly acclaimed Youth Observer program, which recognises the need to invest in the future leaders of our community. The company has reviewed the program during the year, including surveying current and past participants and engaging with staff from Killara and Turramurra High Schools, to ensure the program is mutually beneficial to our organisations.

As a result, the company will continue to support this Youth Observer program, providing an opportunity for two students each to gain insights and understanding as to the running of a public company and operate on a calendar year basis.

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. In future, they will also receive direct mentoring from our directors.

We thank our 2014/15 Youth Observers Tanya Agrawal and Georgia Frazer from Killara High School and Adin Milligan and Raha Naraghi from Turramurra High School for their participation and wish them all the best for their futures.

Our People

Business cannot operate without people and successful growing businesses result from motivated and engaged staff. This year has seen some changes with Denice Kelly leaving to become a Regional Manager within the broader Bendigo Bank network. Denice was the first Manager of the Turramurra **Community Bank**® Branch and was a considerable contributor to the company's growth and its reputation within the Ku-ring-gai community and beyond. A function was held in January 2015 as an opportunity for the directors, staff, customers and community to thank and farewell Denice. A separate tribute to Denice is in this Annual Report.

As mentioned above, Warren Dwyer, the Manager of the Lindfield **Community Bank**® Branch now manages both branches. We have also brought the staff of both branches together more and move them between the branches, providing each of them with ongoing training and opportunities as well as new challenges. The service levels and understanding of our business displayed by all members of staff is outstanding, as is their interest and dedication to our community organisations.

Both branches continue to receive outstanding reports from internal operating reviews and continue to find ways to improve the customer service experience. Feedback from customers is evidence of this, as is the word of mouth recommendations that we receive.

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

Chairman's report continued

The directors would also like to thank Julie Fidler, our Company Secretary, Bookkeeper and Share Registrar for her ongoing support, continued dedication and effort. In April this year, as part of our succession planning process, the board appointed Joanna Chin as a Company Secretary. Joanna is working closely with Julie and has been of particular assistance as the company has changed accounting systems during the year. As a result of Julie and Joanna's efforts together, the unseen but vitally important operations run smoothly and efficiently, making the directors' role much easier.

During the year, the directors undertook a skills and board review. Board succession planning and renewal has been considered and as a result a number of new directors have been appointed during the year, having sat as Board Observers for at least three months beforehand. As a consequence, the company has a very experienced and qualified board of directors to take the company through to the next growth phase.

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.

This will be my last Annual Report as I will step down from the board at the Annual General Meeting due to personal circumstances. I would like to thank the directors, staff and shareholders for the privilege and honour of having been able to serve as chairman of Ku-ring-gai Financial Services Limited and for the opportunity to have worked with such a wonderful group of people in an organisation making a true difference to the community.

Outlook

Market indications are that low interest rates are likely to continue for the next 12 months. For the year ended 30 June 2015, we managed to grow the portfolio, despite the competitive market conditions and low interest rates. We believe that continued portfolio growth will position the company well for when rates do

A make-over for the Turramurra ATM celebrates the company's community projects

start to climb, margins improve and customers inevitably switch back into variable rate loans.

The directors continue to review the company's strategy and operations and together with the staff will continue to look at ways to growing our business and revenue through local business connections and advisors, community groups and word-of-mouth recommendations.

Bendigo Bank

Our partnership with Bendigo and Adelaide Bank Limited continues to strengthen. I wish to acknowledge the previous NSW and ACT Manager Phil Jones and Regional Manager Alex Hughes, both of whom have now taken on new roles within the Bank. We welcome the new NSW and ACT Manager Michael Phillipou and our new Regional Manager Anil Thusoo and thank them for their immediate interest and assistance in helping the company find ways to grow its business. The NSW State Office staff provide advice, expertise and assistance to our staff and directors during the year on an ongoing basis and for that we thank them. Thanks also to John Chandler and Chris Pursehouse of Bendigo Bank who continue to provide support to the directors in their roles in Community Strengthening.

As noted in last year's report, the Bank had announced a review of the **Community Bank**® model, called Project Horizon. This was a broad-ranging review of the model in all respects, including sharing of income, structuring and managing relationships across the network. Roman Tarnawsky, our Deputy Chairman, sat on the Steering Committee, providing the company with some degree of influence in the process. The results of Project Horizon will result in a different pricing model and a change to the marketing funds and processes as of 1 July 2016. In the interim, the Bank is working with the company to provide benchmarking information and well as other financial and operations analysis in order to assist us to maximise the opportunities arising from this model.

Conclusion

In a low interest rate environment and very competitive market, one cannot ever stop working on the business opportunities. While we continue to focus on maintaining and serving our existing customer base, we will continue to find opportunities to grow our business in new ways. However, I have no doubt that the ethos of outstanding service and community enhancement will not change and that the staff and directors will continue to be enthusiastic and motivated to continue to improve financial outcomes for the company and for our customers as well as continued improvement in community outcomes.

I 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 13th Annual General Meeting, which will be conducted at the Lindfield **Community Bank**® Branch on Tuesday 17 November 2015, commencing at 7:00 pm.

Dina Coppel
Chairman

Branch Manager's report

We're bigger than you think we are!

It has now been eight months since I accepted my rewarding and challenging new role as Branch Manager of both Turramurra and Lindfield **Community Bank**® branches.
I would like to thank the Board for the opportunity and for entrusting me with a business portfolio of over $300 million dollars and growing.

I would also like to thank and acknowledge the staff of both branches for their unwavering support throughout the transition and changes that have taken place this year. They have all kept their focus and have remained committed to providing the best possible service they can to our wonderful customers who have continued to increase their banking relationships with us.

Throughout the year we have continued to engage and strengthen our ties within our local community by contributing to a number of community groups and organisations. We established a partnership with Turramurra High School late last year to bring their *Inside Out* Project to fruition. We proudly attended the Grand Opening of this innovative outside learning space in March to celebrate the success of this extraordinary project. We were able to contribute not only financially but we were also able to enlist the help of a number of local groups and organisations that we have close ties with within the Ku-ring-gai area to make it a truly collaborative community effort.

Over the last financial year we have also held a Community Grants presentation where close to $24,000 was given to worthy recipients , held Staff Grants evenings at a branch level, hosted morning teas and organised local business networking events and seminars as well as providing sponsorships and support to a number of clubs and organisations. We are much more than just a bank offering financial products and services – we are out there in our local area making a real difference to our Ku-ring-gai community. Come in and experience the **Community Bank**® difference for yourself – we're much bigger than you think we are.

I would like to thank you our shareholders for continuing to support both our Turramurra and Lindfield **Community Bank**® branches.

Warren Dwyer
Branch Manager
Turramurra and Lindfield **Community Bank**® branches

Tribute to Denice Kelly

In January 2015, current and former directors, current and former staff, shareholders, customers and members of community groups gathered to farewell Denice Kelly, founding Manager of the Turramurra **Community Bank**® Branch.

Denice Kelly started as the manager for the Turramurra **Community Bank**® Branch in August 2003, before there even *was* a branch. While the new directors were still finalising the lease, fitting out the premises and attending to the million and one details required for a branch start-up, Denice was already writing business for the new branch. Denice maintained the pace for more than 11 years, building Ku-ring-gai Financial Services Limited from a standing start to a business with a portfolio of over $315 million. In the process, Denice encouraged and mentored her staff to follow her example: to make every customer understand how important they are, to listen, and try to assist as many community groups and organisations as possible. When we spread our wings to include Lindfield, Denice was there to train staff, work in the new community and help bring in the customers.

Denice was instrumental in initiating many of the company's flagship programs, notably her unceasing work with Council, the SES and the Ku-ring-gai Rural Fire Service to bring to fruition *Hero HQ*, the state-of-the art new facilities for the SES and RFS in Wahroonga, and more recently the Turramurra High School *Inside Out* Project.

As Manager of one of the most successful **Community Bank**® branches in the Bendigo Bank network, Denice provided leadership and mentoring across the network. Denice is now providing that leadership from within the Bendigo Bank organisation as Regional Manager responsible for an area that reaches from Gosford all the way north to South Grafton and west to Gilgandra. No doubt there will be many more successful **Community Bank**® branches in New South Wales with the benefit of Denice's experience, guidance and support.

Thank you Denice for your wonderful contribution to this company, our **Community Bank**® branches and especially to our community, and we wish you all the very best in your new adventures.

Julie Fidler, Company Secretary
on behalf of all past and current directors and staff,
and the Ku-ring-gai community

Members of the Steering Committee which led to the founding of the Turramurra **Community Bank**® Branch at Denice's farewell: [standing] Bruce Tanner, Julie Fidler, John Snelson, Dave Croston, David Langdon, James Loxton; [front] Lucy Perry, Sue Croston and Denice Kelly

Bendigo and Adelaide Bank report
for the year ended 30 June 2015

In the 2015 financial year, the **Community Bank**® network opened its 310th branch and community contributions since the model's inception exceed $130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**® model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**® network, undertook a comprehensive review of the **Community Bank**® model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**® network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**® development, the **Community Bank**® model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**® branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**® Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**® model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**® branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**® network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a $125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**® Branch resulted in a further $125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**® (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**® branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**® scholarship.

Interest in the **Community Bank**® model remains strong, with 20 **Community Bank**® sites currently in development and a further six **Community Bank**® branches expected to open nationally during the next 12 months.

The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**® network achieved the following:

- Returns to community – over $130 million since the model's inception
- **Community Bank**® branches – 310
- **Community Bank**® branch staff – more than 1,500
- **Community Bank**® company Directors – 1,946
- Banking business – $28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – $38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank**® company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**® partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**® partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**® company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**® branch.

Robert Musgrove
Executive Community Engagement

Directors' report

Your directors submit the financial report of the company for the financial year ended 30 June 2015.

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
Dina Rebecca Teitler Coppel Strategy Consultant B.Comm(Finance), LLB, GAICD	Chairman *Ex officio* member of Governance & Risk, Audit & Finance, Community Engagement and Strategic Planning Committees

Dina has 20 years' experience of successful strategy development and implementation as an entrepreneur, manager and advisor. She brings strong financial analysis, governance and legal experience to the company. Dina has lived in Ku-ring-gai for most of her life with her family participating in local schools and sports. Dina was appointed Chairman on 1 July 2014.
Interest in shares: Nil

Roman Zeno Tarnawsky Management Consultant GAICD, Grad.Dip.Mgmt. Admin, Dip Mech Engineering, Dip Civil Engineering	Deputy Chairman Convenor, Strategic Planning Committee *Ex officio* member of Director Nomination, HR & Operations, Marketing, and Community Engagement Committees

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.
Interest in shares: 2000

Nirmal Singh Hansra Non-executive company director M.Comm(Business Management). FAICD, FCA, FCPA.	Audit & Finance Committee Strategic Planning Committee

Nirmal brings to the company 35 years' experience in business management as CFO/Finance Director and 8 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.
Interest in shares: Nil

Ian Langford-Brown Chartered Accountant	Convenor, Audit & Finance Committee Convenor, Governance & Risk Committee Convenor, Community Engagement Committee

During his professional career Ian specialised in the field of taxation as well as having a strong focus on issues impacting small and medium enterprises. He is a past President of The Taxation Institute. He was a senior partner in Deloitte's Tax Consulting Section and then became the Institute of Chartered Accountants first Tax Counsel where he was heavily involved in the Tax Reform process. Ian was the National Chairman of Scouts Australia for six years and is currently the Internal Auditor for the World Scout Bureau in Geneva with a world wide responsibility. Ian has contributed as a volunteer in many ways including as President and/or Treasurer of various organisations on the North Shore and is a Legatee.
Interest in shares: 3000

Linda June McDonald Business Consultant BSc, AFAIM, FAITD	Convenor, HR & Operations Committee

Linda has 17 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. Until 1998, Linda held senior management roles in Human Resources and Human Resource & 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.
Interest in shares: 6000

DIRECTOR'S DETAILS

COMMITTEE RESPONSIBILITIES

David Lawrence Pegley
BSc(Hons), MBA, FAICD, JP

Strategic Planning Committee

David has had 15 years' experience in banking and financial services in Australia and New Zealand followed by 12 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

Christopher Bradley Williamson
Marketing Agency Owner
BCom (Economics and Business Law)

Marketing Committee
Community Engagement Committee (YOs)

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

John Gallu ***(appointed 23 March 2015)***
Consultant
BCom, FAICD

Convenor, Marketing Committee
Community Engagement Committee

John has had 11 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 ***(appointed 27 April 2015)***
Information Communications Technology executive
GAICD

Community Engagement Committee
HR & Operations Committee
Marketing Committee

Sara has had over 22 years' experience in the ICT industry with expertise in sales, marketing and distribution channels. Sara is active in her local school P&C and sporting clubs.
Interest in shares: Nil

Alan James Bardwell ***(appointed 27 July 2015)***
Chief Risk Officer
BA(Hons), CA, FFin, GAICD

Governance & Risk Committee

Alan has a strong background in banking, finance and risk in the banking and exchange industries, and is currently Chief Risk Officer of ASX Limited. Alan has enjoyed strong associations with local Scouts, football and bushcare groups.
Interest in shares: 1000

Allan Peter Millard ***(resigned 27 July 2015)***
Management Consultant
BE(Chem), MBA

Peter has spent over 30 years working in the manufacturing and industrial services sectors and has been active in a number of industry associations. He has lived in Turramurra for over 20 years, during which he has been involved in community activities. Peter joined the Board in 2007.

David Andrew Langdon ***(resigned 20 October 2014)***
Retired

David is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Society of Certified Practicing Accountants and the Australian Computer Society. He is a former CEO and Managing Partner in a global consulting firm and more recently was employed as an Executive Recruitment Consultant. David was a founding director of Ku-ring-gai Financial Services Limited and was Chairman of the company from its incorporation in 2002 until his retirement from the position on 30 June 2014.

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

Julie Fidler
The company secretary is Julie Fidler. 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 and is also company secretary of Risk Management Institution of Australasia Limited.

Joanna Louise Chin *(appointed 27 April 2015)*
CA, BAcc, GDip Financial Planning
Joanna is a Chartered Accountant with over 15 years' experience in property, banking and finance, small business and the non-profit sector in Australia and Hong Kong. Joanna is a local Turramurra resident and is involved in various school and sporting groups in the local community.

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:

	2015 000s	2014 000s	INCREASE/(DECREASE) %
Revenue	1,905	1,876	1.5
Operating surplus	192	111	73.0
Community investment	76	71	7.0
Profit before tax	116	40	190.0
Portfolio ($ million)	315	307	2.6
Customer numbers	4,998	4,291	16.5

The company expanded its total banking portfolio by 2.6% to $314.8 million and increased its customer numbers by 16.5%.

Notwithstanding the lower interest rate market during the year, the company increased its revenue by 1.5%. With tight cost management, surplus increased by $81,450, resulting in profit before tax of $115,114 being achieved.

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

	YEAR ENDED 30 JUNE 2015 $	YEAR ENDED 30 JUNE 2014 $
Profit after income tax expense	83,214	28,483

The company continued to invest in the community by way of donations, grants and sponsorships totalling $76,348 and an interest-free loan of $75,000 in a school project.

With improved trading performance, the company paid a dividend of 4 cents per share in June amounting to $90,043 (2014: nil).

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Remuneration report

Transactions with directors

Christopher Williamson is a director of LIKEaBOSS Group Pty Ltd which provided website design, website hosting and graphic design services to the company during the financial year	$ 894

Directors' shareholdings

	BALANCE AT START OF THE YEAR	CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR
Dina Rebecca Teitler Coppel	–	–	–
Roman Zeno Tarnawsky	2,000	–	2,000
Nirmal Singh Hansra	–	–	–
Ian Langford-Brown	3,000	–	3,000
Linda June McDonald	6,000	–	6,000
David Lawrence Pegley	–	–	–
Christopher Bradley Williamson	–	–	–
John Gallu *(appointed 23 March 2015)*	–	–	–
Sara Adams *(appointed 27 April 2015)*	–	–	–
Alan James Bardwell *(appointed 27 July 2015)*	1,000	–	1,000
David Andrew Langdon *(resigned 20 October 2014)*	30,002	–	30,002
Allan Peter Millard *(resigned 27 July 2015)*	1,000	–	1,000

Dividends

	YEAR ENDED 30 JUNE 2015	
	CENTS	$
Dividends paid in the year	4	90,043

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.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the 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 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' report continued

Directors' meetings

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

	NUMBER OF BOARD MEETINGS		COMMUNITY ENGAGEMENT COMMITTEE	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Dina Rebecca Teitler Coppel	11	9	–	3
Roman Zeno Tarnawsky	11	9	10	7
Nirmal Singh Hansra	11	9	–	–
Ian Langford-Brown	11	8	5	4
Linda June McDonald	11	9	–	–
David Lawrence Pegley	11	11	–	–
Christopher Bradley Williamson	11	10	8	6
John Gallu *(appointed 23 March 2015)*	4	3	6	5
Sarah Adams *(appointed 27 April 2015)*	3	3	6	6
Alan James Bardwell *(appointed 27 July 2015)*	–	–	–	–
Allan Peter Millard *(resigned 27 July 2015)*	11	10	10	10
David Andrew Langdon *(resigned 20 October 2014)*	4	3	3	2

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

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

The board of directors has considered the position 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:

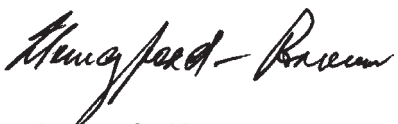
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including 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 page 17.

Signed in accordance with a resolution of the board of directors at Lindfield, New South Wales on 21 September 2015.

Dina Coppel
Chairman



Ian Langford-Brown
Director

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

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 2015, 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

David Hutchings
Lead Auditor

Dated: 21 September 2015

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Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

	NOTES	2015 $	2014 $
Revenues from ordinary activities	4	1,904,891	1,875,881
Employee benefits expense		(927,847)	(934,535)
Charitable donations, sponsorships, advertising and promotion		(132,084)	(152,737)
Occupancy and associated costs		(290,795)	(276,106)
Systems costs		(171,477)	(180,888)
Depreciation and amortisation expense	5	(76,386)	(81,762)
Finance costs	5	(715)	(1,547)
General administration expenses		(189,883)	(208,706)
Profit before income tax expense		**115,704**	**39,600**
Income tax expense	6	(32,490)	(11,117)
Profit after income tax expense		**83,214**	**28,483**
Total comprehensive income for the year		**83,214**	**28,483**
Earnings per share for profit attributable to the ordinary shareholdres of the company		¢	¢
– basic earnings per share	22	3.70	1.27

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2015

	NOTES	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	7	976,457	966,267
Trade and other receivables	8	175,464	153,329
Current tax asset	11	–	10,534
Total current assets		**1,151,921**	**1,130,130**
Non-current assets			
Trade and other receivables	8	50,000	–
Property, plant and equipment	9	317,457	386,766
Intangible assets	10	92,776	120,867
Deferred tax assets	11	51,339	45,007
Total non-current assets		**511,572**	**552,640**
Total assets		**1,663,493**	**1,682,770**
LIABILITIES			
Current liabilities			
Trade and other payables	12	67,136	77,110
Current tax liabilities	11	24,100	–
Borrowings	13	–	8,546
Provisions	14	75,588	102,390
Total current liabilities		**166,824**	**188,046**
Non-current liabilities			
Trade and other payables	12	24,528	24,528
Borrowings	13	–	13,889
Provisions	14	42,618	19,955
Total non-current liabilities		**67,146**	**58,372**
Total liabilities		**233,970**	**246,418**
Net assets		**1,429,523**	**1,436,352**
EQUITY			
Issued capital	15	1,258,525	1,258,525
Retained earnings	16	170,998	177,827
Total equity		**1,429,523**	**1,436,352**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2015

	ISSUED CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2013	**1,258,525**	**149,344**	**1,407,869**
Total comprehensive income for the year	–	28,483	28,483
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	–	–
Balance at 30 June 2014	**1,258,525**	**177,827**	**1,436,352**
Balance at 1 July 2014	**1,258,525**	**177,827**	**1,436,352**
Total comprehensive income for the year	–	83,214	83,214
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(90,043)	(90,043)
Balance at 30 June 2015	**1,258,525**	**170,998**	**1,429,523**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2015

	NOTES	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		2,069,240	2,035,662
Payments to suppliers and employees		(1,911,312)	(1,927,914)
Interest received		28,226	29,984
Interest paid		(715)	(1,547)
Income taxes paid		(4,188)	(16,002)
Income taxes refunded		–	68,002
Net cash provided by operating activities	17	**181,251**	**188,185**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,820)	(15,325)
Proceeds for property, plant and equipment		19,237	–
Payments for intangible assets		–	(68,713)
Net cash provided by/(used in) investing activities		**16,417**	**(84,038)**
Cash flows from financing activities			
Loans advanced		(75,000)	–
Repayment of borrowings		(22,435)	(6,999)
Dividends paid		(90,043)	–
Net cash provided by/(used in) financing activities		**(187,478)**	**(6,999)**
Net increase/(decrease) in cash held		**10,190**	**97,148**
Cash and cash equivalents at the beginning of the financial year		966,267	869,119
Cash and cash equivalents at the end of the financial year	7(a)	**976,457**	**966,267**

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2015

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 account standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year:

AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting
AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities
AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)
AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)
Interpretation 21 Levies
AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 – Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

1 Summary of significant accounting policies continued

***a) Basis of preparation** continued*

Economic dependency – Bendigo and Adelaide Bank Limited continued

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 other stated.

b) Revenue

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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.

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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, 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. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

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.

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.

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.

1 Summary of significant accounting policies continued

***b) Revenue** continued*

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.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for Community Bank® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and 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.

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 10 years
- plant and equipment 2.5 - 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.

1 Summary of significant accounting policies continued

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) 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.

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.

2 Financial risk management continued

(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 monitors 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 2015 can be seen in the Statement of profit or loss and other comprehensive income.

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

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.

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.

	2015	2014
	$	$
4 Revenue from ordinary activities		
Operating activities:		
– services commissions	1,183,790	1,206,944
– other revenue	691,046	639,001
Total revenue from operating activities	**1,874,836**	**1,845,945**
Non-operating activities:		
– interest received	30,055	29,937
Total revenue from non-operating activities	30,055	29,937
Total revenues from ordinary activities	**1,904,891**	**1,875,882**
5 Expenses		
Depreciation of non-current assets:		
– plant and equipment	8,360	12,834
– leasehold improvements	39,935	39,972
Amortisation of non-current assets:		
– franchise agreement	4,100	4,211
– establishment fee	12,539	12,982
– franchise renewal fee	11,452	11,763
	76,386	**81,762**
Finance costs:		
– interest paid	715	1,547
Bad debts	547	291
Loss on disposal of assets	4597	–

	NOTE	2015	2014
		$	$
6 Income tax expense			
The components of tax expense comprise:			
– Current tax		46,793	–
– Movement in deferred tax		(14,303)	(3,606)
– Recoupment of prior year tax losses		–	14,723
		32,490	**11,117**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		**115,704**	**39,600**
Prima facie tax on profit from ordinary activities at 30%		34,712	11,880
Add tax effect of:			
– non-deductible expenses		–	1,459
– timing difference expenses		14,303	3,606
– other deductible expenses		(2,222)	(2,222)
		46,793	**14,723**
Movement in deferred tax		(14,303)	(3,606)
		32,490	**11,117**
7 Cash and cash equivalents			
Cash at bank and on hand		166,642	116,452
Term deposits		809,815	849,815
		976,457	**966,267**
***7(a)* Reconciliation of cash**			
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		166,642	116,452
Term deposits		809,815	849,815
		976,457	**966,267**
8 Trade and other receivables			
Current			
Trade receivables		137,062	141,210
Prepayments		4,985	4,985
Other receivables and accruals		33,417	7,134
		175,464	**153,329**
Non-current			
Other receivables and accruals		50,000	–
		50,000	–

	2015	2014
	$	$
9 Property, plant and equipment		
Leasehold improvements		
At cost	398,384	399,946
Less accumulated depreciation	(128,905)	(90,397)
	269,479	**309,549**
Motor vehicle		
At cost	–	28,474
Less accumulated depreciation	–	(5,519)
	–	**22,955**
Furniture and fittings		
At cost	83,443	83,443
Less accumulated depreciation	(35,465)	(29,181)
	47,978	**54,262**
Computer software		
At cost	11,441	11,441
Less accumulated depreciation	(11,441)	(11,441)
	–	–
Total written down amount	**317,457**	**386,766**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	309,549	334,561
Additions	2,820	14,960
Disposals	(2,955)	–
Less: depreciation expense	(39,935)	(39,972)
Carrying amount at end	**269,479**	**309,549**
Motor vehicles		
Carrying amount at beginning	22,955	26,514
Additions	–	–
Disposals	(20,879)	–
Less: depreciation expense	(2,076)	(3,559)
Carrying amount at end	–	**22,955**
Furniture and fittings		
Carrying amount at beginning	54,262	63,173
Additions	–	363
Disposals	–	–
Less: depreciation expense	(6,284)	(9,274)
Carrying amount at end	**47,978**	**54,262**
Total written down amount	**317,457**	**386,766**

	2015	2014
	$	$
10 Intangible assets		
Franchise fee		
At cost	95,996	95,996
Less: accumulated amortisation	(82,521)	(78,421)
	13,475	**17,575**
Establishment fee		
At cost	91,462	91,462
Less: accumulated amortisation	(50,032)	(37,493)
	41,430	**53,969**
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(76,774)	(65,322)
	37,871	**49,323**
Total written down amount	**92,776**	**120,867**
11 Tax		
Current:		
Income tax payable/(refundable)	24,100	(10,534)
Non-current:		
Deferred tax asset		
– accruals	2,730	2,730
– employee provisions	35,461	26,354
– tax losses carried forward	–	7,972
– property, plant and equipment	15,536	11,287
	53,727	48,343
Deferred tax liability		
– accruals	2,388	1,840
– deductible prepayments	–	1,496
	2,388	3,336
Net deferred tax asset	**51,339**	**45,007**
Movement in deferred tax charged to Statement of profit or loss and other comprehensive income	**(6,332)**	**11,117**

	NOTE	2015	2014
		$	$
12 Trade and other payables			
Current:			
Trade creditors		41,461	54,432
Other creditors and accruals		25,675	22,678
		67,136	**77,110**
Non-current:			
Other creditors and accruals		24,528	24,528
		24,528	24,528
13 Borrowings			
Current:			
Bank loans		–	8,546
Non-current:			
Bank loans		–	13,889

Bank loans were repayable monthly. Loan was settled on 22 January 2015. Final instalment was due to be paid in December 2015.

14 Provisions			
Current:			
Provision for annual leave		57,988	56,000
Provision for long service leave		–	11,890
Provision for sponsorship		17,600	34,500
		75,588	**102,390**
Non-Current:			
Provision for long service leave		42,618	19,955
15 Contributed equity			
2,251,085 ordinary shares fully paid (2014: 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® branches 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 515 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.

	2015 $	2014 $
16 Retained earnings		
Balance at the beginning of the financial year	177,827	149,344
Net profit from ordinary activities after income tax	83,214	28,483
Dividends paid or provided for	(90,043)	–
Balance at the end of the financial year	**170,998**	**177,827**
17 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	83,214	28,483
Non cash items:		
– depreciation	48,295	52,806
– amortisation	28,091	28,956
– loss on disposal of asset	4,597	–
Changes in assets and liabilities:		
– (increase)/decrease in receivables	2,864	2,639
– (increase)/decrease in other assets	(14,304)	52,000
– increase/(decrease) in payables	(9,973)	11,117
– increase/(decrease) in provisions	(4,139)	19,319
– increase/(decrease) in current tax liabilities	42,606	(7,135)
Net cash flows provided by operating activities	**181,251**	**188,185**
18 Leases		
Finance lease commitments		
Payable — minimum lease payments		
— not later than 12 months	–	8,546
— between 12 months and 5 years	–	15,422
— greater than 5 years	–	–
Minimum lease payments	–	23,968
Less future finance charges	–	(1,533)
Present value of minimum lease payments	–	**22,435**
The hire purchase of a motor vehicle, commenced in December 2012. No lease commitments exist as motor vehicle was sold during the year.		
Operating lease commitments		
Payable — minimum lease payments		
— not later than 12 months	224,385	224,250
— between 12 months and 5 years	293,439	526,450
— greater than 5 years	–	–
	517,824	**750,700**

Each premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease on the Lindfield branch premises expires in October 2016 and the lease on the Turramurra branch premises expires in August 2018.

	2015	2014
	$	$

19 Auditors' remuneration

Amounts received or due and receivable by the auditor of the company for:		
– audit and review services	6,900	7,700
– tax services	550	450
– non-audit services	1,450	950
	8,900	**9,100**

20 Director and related party disclosures

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

Transactions with related parties

Christopher Williamson is a director of LIKEaBOSS Group Pty Ltd which provided website design, website hosting and graphic design services to the company during the financial year	895	–

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

21 Dividends paid or provided

a) Dividends paid during the year

Current year dividend

100% (214: 100%) franked dividend - 4 cents (2014: nil cents) per share	90,043	–
The tax rate at which dividends have been franked is 30% (2014: 30%). Dividends proposed will be franked at a rate of 30% (2014: 30%).		

b) Franking account balance

Franking credits available for subsequent reporting periods are:		
– franking account balance as at the end of the financial year	144,964	180,651
– franking credits/(debits) that will arise from payment/ (refund) of income tax payable as at the end of the financial year	34,620	(10,534)
– franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	–	–
Franking credits available for future financial reporting periods:	179,584	170,117
– 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	**179,584**	**170,117**

	2015 $	2014 $
22 Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	83,214	28,483
	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
1273 Pacific Highway	1273 Pacific Highway
Turramurra NSW 2074	Turramurra NSW 2074

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					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Financial assets												
Cash and cash equivalents	166,242	116,052	809,815	849,815	–	–	–	–	400	400	3.05	3.43
Receivables	–	–	–	–	–	–	–	–	137,062	141,210	N/A	N/A
Financial liabilities												
Interest bearing liabilities	–	–	–	8,546	–	13,889	–	–	–	–	–	5.80
Payables	–	–	–	–	–	–	–	–	41,461	54,432	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 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant, would be as follows:

	2014	2013
	$	$
Change in profit/(loss):		
Increase in interest rate by 1%	9,761	9,434
Decrease in interest rate by 1%	(9,761)	(9,434)
Change in equity:		
Increase in interest rate by 1%	9,761	9,434
Decrease in interest rate by 1%	(9,761)	(9,434)

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 2015 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.

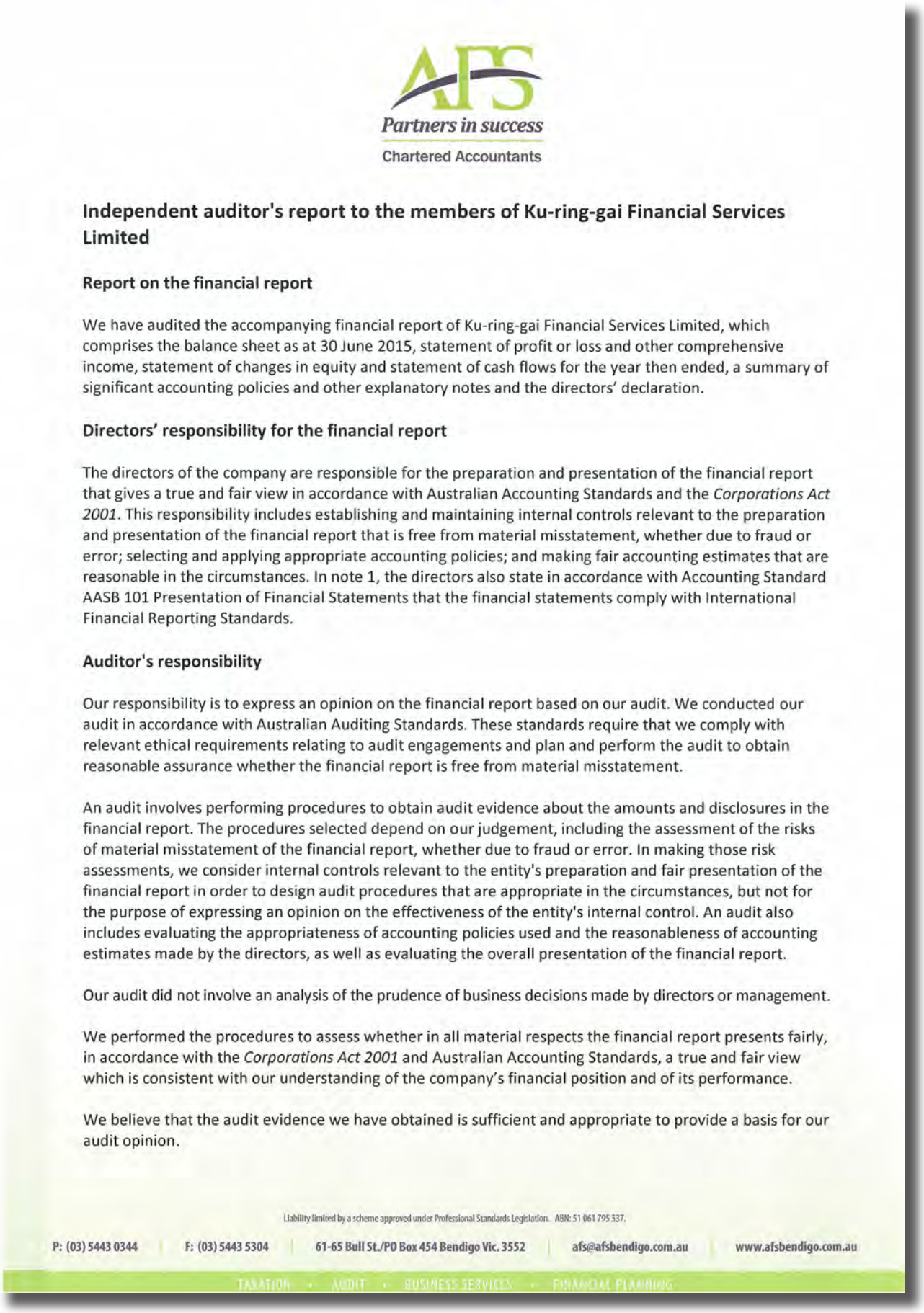
Dina Coppel
Chairman

Ian Langford-Brown
Director

Signed on 21 September 2015

Independent audit report

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



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Independent auditor's report to the members of Ku-ring-gai Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Ku-ring-gai Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Independent audit report continued

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Ku-ring-gai Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ku-ring-gai Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 21 September 2015

Franchisee: Ku-ring-gai Financial Services Limited
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