



Annual Report 2014

Knox Community
Financial Services Ltd

ABN 88 093 823 708

Fern Tree Gully **Community Bank**® Branch
Rowville **Community Bank**® Branch

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Chairman's report

For year ending 30 June 2014

This financial year commenced slowly with business and home owners nervous with the state of the economy. However, I am pleased to report that following a number of initiatives by your Directors and the management team the financial year ended in a much improved position.

Our Rowville **Community Bank**[®] Branch has seen an increase in business compared to the past while Ferntree Gully **Community Bank**[®] Branch has continued to be the flag ship of the company. The Scoresby agency is growing slowly and is not a cost against the company. John Surridge and his team are continuing to introduce initiatives to increase the customer base of this venture.

To date, the Fern Tree Gully and Rowville **Community Bank**[®] branches have contributed and pledged in excess of \$2.3 million in local grants and sponsorships thereby boosting the Knox economy while paying a dividend to our shareholders at the same time!

Your Directors have recommended 17.5 cents per share dividend to be paid.

A brief example some of the organisations who have benefited from Knox Community Financial Services Ltd are Glengollan Village who have received a total of \$300,000 over five years for the construction of two units for the elderly. A number of sporting venues and community based organisations are the recipients of 18 defibrillators, three electronic scoreboards for sporting venues, Illoura Early Childhood Intervention Services, Community Meals, Angliss Hospital to name just a few.

The Fern Tree Gully & Rowville **Community Bank**[®] branches remain committed to our local community and are proud to be involved with and support many organisations during the year.

None of the above would have been possible without the continuing hard work of our management team and their staff! John in his role of Senior Group Manager has utilised his professional skills to ensure that the business at both branches and the agency is conducted in an efficient and courteous manner. Tina Leslie and Mick Spruhan have demonstrated a commitment to the branches and the local community. The management team has of necessity had to be in attendance at growing number of functions and interviews after hours in order to ensure that your **Community Bank**[®] branches are available to satisfy our customers' requirements. Under their combined leadership the staff continues to demonstrate that the word "community" has a real meaning. This is exemplified by their friendly and courteous manner when dealing with you the customer.

I wish to also record my sincere appreciation to all of the Directors who have worked diligently to ensure your **Community Bank**[®] branches continue to act professionally thereby satisfying the legal requirements associated with operating a company.

Your Directors have considered and investigated a number of options and possibilities which would enable the company to grow. This particular role is seen as an ongoing challenge by the Board thereby ensuring that we can plan and grow in the future.

Thank you to the many shareholders and clients who continue to support the **Community Bank**[®] concept. With the continued support of all involved in our **Community Bank**[®] branches I am confident our business will continue to grow and benefit our community for many years to come.

Chairman's report (continued)

Director Graeme Mc Ewin has indicated that he will not be seeking re election to the Board of Directors at this year's Annual General Meeting. Graeme joined the Board of our company when Rowville **Community Bank**[®] Branch was being established some 10 years ago. Over that period Graeme has been a valued member of the Board serving in the position of Vice President for a number of years.

I thank Graeme for his valued contribution over this period and wish him all the very best in his retirement from public life.

A handwritten signature in black ink, appearing to read "Hurtle Lupton". The signature is fluid and cursive, with the first name "Hurtle" being more prominent than the last name "Lupton".

Hurtle Lupton O.A.M., J.P.

Chairman

General Manager's report

For year ending 30 June 2014

As you will see within the various reports we achieved growth again this year, keeping our retained footings over \$220 million.

This success does not come without your support but also the hard work of the staff, especially the Managers of our branches Tina and Mick.

Fern Tree Gully and Rowville **Community Bank**[®] branches are both successful branches within the Bendigo Bank group. Both branches have had lending approvals for the year in excess of \$10 million each, which is a considerable achievement in a market where customers are taking advantage of low interest rates and paying down debt.

The continuing growth in business has enabled us to keep supporting the community by the way of substantial grants, sponsorships and donations; we have also been able to continue the healthy dividend payment.

Not everything we have tried has been an instant success, the Scoresby agency has been slower in the uptake of customers than we anticipated. However, we are working diligently with the agents on strategies to improve the number of customers joining us in the Scoresby area.

When we support clubs etc with sponsorship we request that they promote us to gain more business and enable us to maintain our community investment to the various sporting clubs, schools, youth groups, aged care, aged services, charitable groups and many more, who are an essential part of our community.

The assistance we provide to these community groups makes staff and management proud to work for your **Community Bank**[®] branches as we know that we are assisting our community prosper.

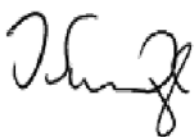
As shareholders you can proudly recommend our **Community Bank**[®] branches to others with the confidence they will receive service and attention second to none. In addition their banking will help us to continue to maintain funding to our community partners.

I would like to thank the staff, who are led by Tina Leslie and Mick Spruhan for their commitment to your **Community Bank**[®] branches.

They go above and beyond what they are paid for to attend local functions and promote the bank at every opportunity.

I also pass on my thanks to Bendigo and Adelaide Bank, especially our Regional Manager Marisa Dickins; their continued partnership enables us to offer banking products that are extremely competitive to our customers and shareholders.

Last but not least are your Board members, led by Hurtle Lupton who continue to put in many hours to promote your **Community Bank**[®] branches within the community and guide the business to ensure your assets are protected.



John Surridge
General Manager

Fern Tree Gully Manager's report

For year ending 30 June 2014

It has been a most productive 12 months for the Fern Tree Gully **Community Bank**[®] Branch.

We have 6,686 accounts as at the end of the financial year, this has been achieved via the positive referrals and recommendations given by you, our community.

This has resulted in the total business deposits and lending increasing to \$113.689 million. This is an effort we are all proud of and is indicative of the successful message and customer service we have implemented through out the community.

Over the years our **Community Bank**[®] branch has assisted many local community organisations with financial grants enabling a number of projects that have been undertaken by these groups to be completed for the benefit of their members.

As you can see from our marketing reports, our funds are continually flowing back into the community; this will be our aim and continue so long as we have your support.

I would like to thank John Surrige for another year of guidance and support, our friendly team of staff at Fern Tree Gully **Community Bank**[®] Branch, and the Board of Directors which makes your **Community Bank**[®] branch the business that it is today.



Tina Leslie
Branch Manager

Rowville Manager's report

For year ending 30 June 2014

It is pleasing to report that Rowville **Community Bank**[®] Branch again experienced healthy growth for the 2014 Financial Year. Our total footings reached \$109.776 million as at 30 June having risen from \$95.26 million and was achieved despite the loss of \$7.35 million in Treasury funds over the year.

Our lending balances increased from \$36.978 million to \$50.377 million over the 12 months which is a great result in such a competitive marketplace. Deposit balances remained around the same level at \$51.462 million as opposed to \$51.471 million in 2013.

We achieved our goal from last year of breaking through \$100 million in footings and maintaining that.

During the year we continued to grow in the number of lending applications approved and our transactional activity continues to increase. We now have 2,746 customers and 3,939 accounts.

Signage on the Shopping Centre pylon was changed to reflect that your **Community Bank**[®] branch existed in the Wellington Village Shopping Centre, and that our presence was not just an ATM. We also invested in a car park banner. This banner has struggled with the wind and has been repaired and replaced twice! Hard to say if these changes have attributed to the increased customer traffic, but the facts are we are busier now than we were two years ago.

Over the course of the year we have continued to contribute to clubs, organisations and schools that support us and encourage their members to support us. Their continued support is what allows us to contribute back into our/your Community. Combined (Ferntree Gully and Rowville **Community Bank**[®] branches) have contributed in excess of \$2 million in the form of sponsorships, grants and donations.

This is a massive result and would not be possible without a successful **Community Bank**[®] group being in your area. Our success though relies on your continued support. So, we challenge you to tell your family and neighbours about the impact we are having and encourage them to "get on board". It's a win/win.

In finishing, a big thank you goes to the staff at Rowville **Community Bank**[®] Branch. Their friendliness and welcoming attitude is a major factor in our continued success. Thank you for a job well done and contributing to our success.

The 2014/15 financial year promises to be challenging but with your support, we will continue to exceed expectations.



Mick Spruhan
Branch Manager

Finance report

For year ending 30 June 2014

The 2013/14 financial year has been one of sustained growth, with business under management increasing by 6.2% from \$207 million to \$220 million. This has provided a substantial improvement other key financial outcomes compared to the previous financial year, resulting in:

- A 4% increase in ordinary operating income on the previous financial year to \$1,786,032
- A 340% increase in net profit before tax on the previous financial year to \$204,506
- Return on shareholders funds before tax of 12%
- Earnings per share before tax of \$0.26
- Declaration of a dividend per share of \$0.175
- Approximate net realisable asset coverage per share of \$2.26
- Market capitalisation based upon the last share trade of the financial year of \$2.50 of \$1,951,875

The contributing factor to this result the continuing growth in revenue from both Ferntree Gully and Rowville **Community Bank**[®] branches which is extremely pleasing in the current economic climate.

Scoresby is continuing to grow albeit at a slow pace and is now providing a return to the principals at no cost to the company.

The end of year internal financial management reporting summary is detailed in the table below:

Summary Profit & Loss Statement 2013/14	\$ Total
Operating revenue	1,786,032
Less employment expenses	1,091,332
Less branch occupancy & infrastructure expenses	243,166
Less document production, distribution expenses	38,131
Less legal, compliance, risk management expenses	61,717
Less other administration expenses	16,589
Equals ordinary operating profit	335,097
Less net marketing expenses	16,645
Less community grants & donations	97,685
Less directors expenses	50,926
Less depreciation	15,063
Add investment income	49,728
Equals net profit (b/tax)	204,506

Finance report (continued)

The company continues to remain in a very sound financial position with significant cash reserves. All aspects of the business continue to be carefully managed to ensure maximum value is being realised from all expenditure. I continue to have full confidence in the medium to long term financial stability and viability of the company.



Darren Pearce
Finance Director

Marketing report

For year ending 30 June 2014

Welcome to this year's Marketing report.

The Marketing committee comprises:

Etienne Clauw	Marketing Director.
John Surrige	General Manger
Tina Leslie	Branch Manger – Ferntree Gully
Mick Spruhan	Branch Manager – Rowville
Janine Shepherd	Community Liaison Officer

For the year 2013/14, the Marketing committee worked toward a budgeted expense of \$170,000, with the final figure coming in at \$177,677.

Considerable time is spent afterhours by John, Tina, Mick and Janine attending clubs, associations, and community groups.

Marketing is responsible for the localised branding for Bendigo and Adelaide Bank, and to ensure the company gains real benefit via brand awareness, Business volume, and a positive impact to the bottom line.

Income

The income stream for the Marketing budget is made up by Market development funds provided by Bendigo and Adelaide Bank, and company funds.

Income	Code	Company	FTG	Rowville	Scoresby	Total
Marketing Dev fund	4-4080	\$0	\$50,000	\$50,000	\$0	\$100,000
Company Contribution		\$50,000	\$0	\$0	\$20,000	\$70,000
Total		\$50,000	\$50,000	\$50,000	\$20,000	\$170,000

Expenses

Marketing activities are divided into four segments, Advertising, Sponsorship, Donations, and General Marketing.

YTD expenses	Code	Company	FTG	Rowville	Scoresby	Total
Advertising	6-1004	\$23,570	\$5,135	\$2,026	\$3,037	\$30,731
Marketing	6-1006	\$20,823	\$9,092	\$21,890	\$1,305	\$51,805
Donations	6-1120	\$61,138	\$1,775	\$0	\$0	\$62,913
Sponsorships	6-1185	\$13,125	\$4,291	\$14,812	\$0	\$32,228
Totals		\$118,656	\$20,293	\$38,728	\$4,342	\$177,677

Manager's report (continued)

Advertising:

Represents marketing aimed to increase the awareness of our company in the community.

Main items for the year included KCBG Website, Newsletter, 3MDR, Channel 31 Footy Show, FTG News, Rowville Lysterfield news and Scoresby Signage and letter drops

Sponsorship:

Represents marketing aimed at a direct feedback to the company bottom line

Main items for the year included Yerring Meadows Golf, Eastwood Golf, FTGFC, Rowville FC and Sherbrooke Basketball.

Note that scoreboard funding provided in 2013 for FTGFC, UFTGFC, and Scoresby equates to five years sponsorship

Donations:

Represents marketing to a similar target group as Sponsorships, but without the expected direct feedback. The Only significant item was the final payment of \$60,000 to the Glengollan village (\$300,000 over five years)

General Marketing:

Represents all other cost associated with Marketing,

Main items for the year included, Wages, Signs, banners, gazebos, In branch TV/DVD production and promotional items.

The Bendigo and Adelaide Bank **Bigger than a bank** national campaign cost to Knox was 2 x \$5,000.

Community Grants 2014.

Community Grants applications totalled some \$30,000,

We were pleased with the level of applications this year with 18 organisations receiving grants.

2014/15

The Marketing plan for 2014/15 year will work to a \$150,000 annual budget. The Bendigo and Adelaide Bank Club Rewards scheme has been cancelled, so we work instead to offer clubs and organisation direct sponsorship based on the business volume they represent.

Our Community Liaison role will move to a post engagement one, supporting the Managers and reporting directly to the General Manager.

The newsletter and company website will remain our prime communication format.

Please visit our website via the link: www.kcbg.com.au

I wish to again thank the Marketing Committee for their efforts over the year, and look forward to another successful year across 2014/15.

Yours sincerely



Etienne Clauw
Marketing Director

Directors' report

For the financial year ended 30 June 2014

Your Directors present this report on the company for the financial year ended 30 June 2014.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Name of Director	Meetings attended	Meetings held
Graeme McEwin	10	12
Darren Pearce	11	12
Hurtle Lupton	11	12
Etienne Clauw	10	12
Phillip Reibelt	7	12
Desmond Higginbotham	11	12
Anthony Holland	10	12
Jeffrey Somers	12	12

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating result

The profit of the company for the financial year after providing for income tax amounted to:

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
153,728	43,244

Review of operations

A review of the operations of the company during the financial year and the results of those operations showed an overall profit before income tax of \$204,506.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the company during the course of the year were Bendigo and Adelaide Bank Limited **Community Bank**[®] branches operating in Ferntree Gully, Rowville and Scoresby. No significant change in the nature of these activities occurred during the year.

Directors' report (continued)

After balance date events

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Future developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

During the year the Directors have provided for and paid dividends of \$136,631.25 (\$0.175 per share).

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' interests in shares of the company or related bodies corporate

The particulars of shares held by the Directors of the company in the company or in related bodies corporate which are required to be declared in the register of Directors' shareholdings are as follows:

Name of Director	Share holding
Graeme McEwin	6,000
Darren Pearce	5,500
Hurtle Lupton	6,000
Etienne Clauw	0
Phillip Reibelt	0
Desmond Higginbotham	1,000
Anthony Holland	500
Jeffrey Somers	1,000

Directors' benefits

No Director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company or related body corporate.

Directors' report (continued)

Indemnifying Officer or Auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums for each Director and Officer of the company to the extent any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith.

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.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditors independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included.

Signed in accordance with a resolution of the Board of Directors:



Hurtle Lupton
Director



Darren Pearce
Director

Dated: 2nd October 2014

Auditor's independence declaration

KNOX COMMUNITY FINANCIAL SERVICES LTD
ABN 88 093 823 708
Auditor's Independence Declaration

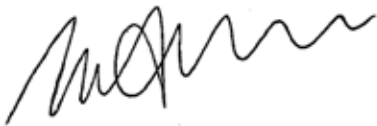
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To THE DIRECTORS OF: KNOX COMMUNITY FINANCIAL SERVICES LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been :

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the Audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

Signed on :



Glenn Miller, FCPA

Nickless Miller Meehans Pty Ltd

110 Drummond Street, Oakleigh VIC 3166

Financial statements

Income Statement for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	1,935,764	1,849,277
Bad and doubtful debts	3	(3,566)	(1,290)
Depreciation and amortisation expenses	3	(15,063)	(14,757)
Other expenses from ordinary activities		(1,712,629)	(1,786,811)
Profit from ordinary activities before income tax		204,506	46,419
Income tax expense relating to ordinary activities	4	(50,777)	(3,175)
Net profit attributable to members of the company		153,728	43,244

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash assets	6	992,464	871,902
Current tax assets	7	0	101,627
Total current assets		992,464	973,530
Non-current assets			
Property, plant and equipment	8	872,844	885,857
Total non-current assets		872,844	885,857
Total assets		1,865,308	1,859,387
Liabilities			
Current liabilities			
Payables	9	40,299	72,578
Current tax liabilities	10	84,464	63,364
Other	11	4,410	4,410
Total current liabilities		129,173	140,349
Total liabilities		129,173	140,349
Net assets		1,736,135	1,719,038
Equity			
Contributed equity	12	780,750	780,750
Retained profits		955,385	938,288
Total equity		1,736,135	1,719,038

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2014

	Notes	Retained profits \$	Issued and paid up capital \$	Total \$
Balance at 30/06/2012		1,031,675	780,750	1,812,425
Profit attributable to the members		43,244	43,244	
Shares issued during the year			0	0
Subtotal		1,074,919	780,750	1,855,669
Dividends provided for or paid	5	(136,631)		(136,631)
Balance at 30/06/2013		938,288	780,750	1,719,038
Profit attributable to the members		153,728		153,728
Shares issued during the year			0	0
Subtotal		1,092,016	780,750	1,872,766
Dividends provided for or paid	5	(136,631)		(136,631)
Balance at 30/06/2014		955,385	780,750	1,736,135

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flow from operating activities			
Receipts from customers		1,891,106	1,825,611
Payments to suppliers and employees		(1,727,839)	(1,756,868)
Interest received		32,355	16,476
Income tax paid		(38,006)	(133,821)
Income tax refunded		101,627	0
Net cash provided by (used in) operating activities (note 2)		259,243	(48,602)
Cash flow from investing activities			
Fixed asset purchases		(2,050)	(10,213)
Net cash provided by (used in) investing activities		(2,050)	(10,213)
Cash flow from financing activities			
Dividends paid		(136,631)	(136,631)
Net cash provided by (used in) financing activities		(136,631)	(136,631)
Net increase (decrease) in cash held		120,562	(195,446)
Cash at the beginning of the year		871,902	1,067,348
Cash at the end of the year (note 1)		992,464	871,902

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014 (continued)

	2014 \$	2013 \$
Note 1. Reconciliation of cash		
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.		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	277,437	180,743
Investment account	170,459	176,675
Term deposit	544,068	513,985
Deposit bonds	500	500
	992,464	871,902

Note 2. Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit (loss) after tax	153,728	43,244
Depreciation	15,063	14,757
Increase/(decrease) in provision for income tax	114,399	(130,646)
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Increase (decrease) in trade creditors and accruals	(23,947)	24,043
Net cash provided by operating activities	259,243	(48,602)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Statement of significant accounting policies

The financial statements and notes represent those of Knox Community Financial Services Ltd as an individual entity. Knox Community Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

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

(A) Basis of preparation

The financial statements are general purpose financial statements that has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

The financial statements, except for cash flow information, have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(B) Accounting policies

Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

a) Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Property, Plant and Equipment (continued)

a) Property (continued)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

b) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Knox Community Financial Services Ltd includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Knox Community Financial Services Ltd commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to Knox Community Financial Services Ltd are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. 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 their estimated useful lives where it is likely that Knox Community Financial Services Ltd will obtain ownership of the asset or over the term of the lease

Lease payments under operating leases, where substantially all the risks and benefits remain with the leaser, are charged as expenses in the periods in which they are incurred.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Leases (continued)

Lease incentives under operating leases are recognised as a liability and amortised on a straight - line basis over the life of the lease term.

Financial instruments

a) Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

b) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

c) Loans and receivables

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

d) Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments are stated at amortised cost using the effective interest rate method.

e) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

f) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

g) Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of assets

At each reporting date, the Directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Impairment of assets (continued)

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

Intangibles

a) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Research and development expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Employee benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Provisions

Provision are recognised when Knox Community Financial Services Ltd has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefit will result and that the outflow can be measured reliably.

Cash and cash equivalents

Cash and Cash Equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred

Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative figures

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

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally.

Key estimates - Impairment

The Directors assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

	2014	2013
	\$	\$
Revenue:		
Banking income	1,886,036	1,818,144
Interest revenue*	32,355	16,476
Rent received	17,373	14,657
	1,935,764	1,849,277

Note 2. Revenue and other income

Revenue:

Banking income	1,886,036	1,818,144
Interest revenue*	32,355	16,476
Rent received	17,373	14,657
	1,935,764	1,849,277

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 3. Profit from ordinary activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as expense:

Bad and doubtful debts	3,566	1,290
Depreciation of non-current assets	15,063	14,757

Note 4. Income tax

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Current tax	50,777	3,175
Income tax expense attributable to profit from ordinary activities	50,777	3,175

Note 5. Dividends

Dividends provided for or paid	136,631	136,631
	136,631	136,631

Note 6. Cash assets

Bank accounts:

Cash at bank	277,437	180,743
Investment account	170,459	176,675
Term deposit	544,068	513,985
Deposit bonds	500	500
	992,464	871,902

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	992,464	871,902
	992,464	871,902

Note 7. Tax assets

Taxation	0	101,627
	0	101,627

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 8. Property, plant and equipment		
Buildings:		
- At cost	772,928	772,928
	772,928	772,928
Leasehold improvements:		
- At cost	46,645	46,645
- Less: Accumulated depreciation	(46,645)	(46,645)
	0	0
Plant and equipment:		
- At cost	279,037	276,987
- Less: Accumulated depreciation	(179,121)	(164,058)
	99,916	112,929
	872,844	885,857

Note 9. Payables

Trade creditors	14,698	50,052
Other creditors	25,601	22,526
	40,299	72,578

Note 10. Tax liabilities

GST Payable	56,642	49,379
Taxation	12,771	(101,627)
PAYG Withholding payable	15,050	13,982
	84,464	(38,267)

Note 11. Other liabilities

Security deposits	4,410	4,410
	4,410	4,410

Notes to the financial statements (continued)

	2014	2013
	\$	\$
Note 12. Contributed capital		
Ordinary shares at \$1.00 each fully paid	780,750	780,750

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 13. Company details

The registered office of the company is 67 Station Street, Ferntree Gully, VIC 3156

Directors' declaration

In accordance with a resolution of the Directors of Knox Community Financial Services Ltd, the Directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date;
2. in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Hurtle Lupton
Director



Darren Pearce
Director

Dated: 2nd October 2014

Income statement

For the year ended 30 June 2014

	2014 \$	2013 \$
Income		
Gross margin	1,315,091	1,163,446
Commission	16,913	16,595
Trailer commission	239,589	321,608
Fee income	214,440	216,495
Market Development Fund	100,004	100,000
Interest received	32,355	16,476
Rent received	17,373	14,657
Total income	1,935,764	1,849,277
Expenses		
Accountancy	24,795	23,815
Advertising, marketing & sponsorship	116,649	277,777
Bad debts	3,566	1,290
Bank fees & charges	2,000	1,979
Bendigo and Adelaide Bank Limited fees	74,608	78,454
Board expenses	5,434	7,023
Cleaning	22,482	31,255
Couriers	14,878	14,926
Depreciation	15,063	14,757
Directors fees	45,492	46,031
Donations	97,685	91,321
Filing fees	1,113	1,156
Heat, light & power	18,278	14,103
Insurance	26,050	24,020
Legal fees	4,012	91
Payroll tax	25,593	22,382
Postage	2,907	3,368
Printing & stationery	20,346	30,238
Procedural errors	894	(28)
Rates & land taxes	7,693	6,866
Rent on land & buildings	92,535	69,403

Income statement (continued)

Expenses (continued)

Repairs & maintenance	10,486	7,691
Salaries	920,630	866,022
Security	9,907	9,215
Share registry	3,181	3,741
Staff training	15,400	14,300
Sundry expenses	12,694	27,918
Superannuation	93,865	91,738
Telephone	17,084	15,692
Travel, accom & conference	23,282	0
Uniform	0	4,034
Workcover insurance	2,655	2,279
Total expenses	1,731,258	1,802,858
Profit from ordinary activities before income tax	204,506	46,419

Independent audit report

KNOX COMMUNITY FINANCIAL SERVICES LTD
ABN 88 093 823 708
Independent Auditor Report

Report on the financial report

We have audited the accompanying financial report of KNOX COMMUNITY FINANCIAL SERVICES LTD, which comprises the balance sheet as at 30 June 2014, income statement, statement of changes in equity, and statement of cash flows for the year then ended, notes to the financial statements, and the directors' declaration for the year ended 30 June 2014.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if provided to the directors as at the date of this auditor's report.

Audit Opinion

In our opinion,

(a) the financial report of KNOX COMMUNITY FINANCIAL SERVICES LTD is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

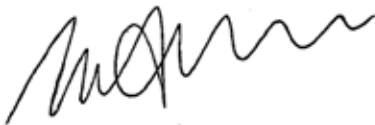
Independent audit report (continued)

KNOX COMMUNITY FINANCIAL SERVICES LTD
ABN 88 093 823 708
Independent Auditor Report

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Signed on :



Glenn Miller, FCPA

Nickless Miller Meehans Pty Ltd

110 Drummond Street, Oakleigh VIC 3166



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