



Proudly supporting
our community



Kingsway Community
Financial Services Ltd

ABN 48 104 124 638

ANNUAL REPORT 2013

Kingsway **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2013



Where did 10 years just go?

Ten years ago I was given the unenviable position of inaugural Chairman of a non-existent, but proposed **Community Bank**[®] branch for Kingsway. Shareholders with faith and their money came forward rapidly, a prospectus issued and our Kingsway **Community Bank**[®] Branch was born. What we have today is the result of that 10 years. It has been a very bumpy ride, a very interesting experience and always challenging.

As a Wanneroo resident and local business person for 60 years, I am pleased my own experience, along with a great hard working Board, has created a great community asset. I owe a huge thank you to our Board members. We have become like a family group, we work well together and the job gets done. I feel it is time to move on and make room for others to takeover, so on 1 July 2013 Mrs Bev Errington becomes the new Chairperson and I will continue as a Board member.

A big thank you to past and present staff, who have been the backbone of the branch throughout the journey, without their efforts and presentation of the friendly community attitude, we would not have succeeded. A great job well done.

We have now given back to the community over \$145,000 which has been no mean feat in this economic climate, as well as managing to pay another dividend this year of 3%.

Also we hope to welcome some additional new Board members. I feel confident with their vast array of diversified experience, we will have a superb Board.

Thank you to everyone for their trust and support.

A handwritten signature in dark ink, appearing to read 'W Meredith', written in a cursive style.

William Meredith
Chairman

Manager's report

For year ending 30 June 2013



I'm pleased to report on another year for Kingsway Community Financial Services Limited, our shareholders, our customers and our community.

Our total business as at 30 June 2013 sat at \$93 million represented by:

- \$55 million in deposit funds
- \$36 million in loan funds
- 2,495 active accounts.

I'm extremely proud of our branch team, Jim, Michelle, Jenna, Jason and Glynis who are strengthening customer relationships and continue to provide exceptional service. We've had two successful insurance campaigns during the year where our Branch Team has performed extremely well, coming first in our Region.

Our engagement with our local community continues to grow with successful partnerships forged with a large range of community groups, as detailed in the 'Recipients of Support', further in this report.

I would like to thank all our shareholders for their continued support as well as our Board members for their commitment, enthusiasm and their expertise. A special thank you to outgoing Chairman Bill Meredith for his efforts in the past and his continuing support.

A handwritten signature in black ink, appearing to read 'Suza Todorovska'.

Suza Todorovska
Branch Manager

Sponsorships and dividends

Dividends	2009 Dividend	2010 Dividend	2011 Dividend	2012 Dividend	2013 Dividend
Dividend Paid to shareholder	38,750.45	58,125.68	58,125.68	58,125.68	23,250.27

Sponsorships	
	30.06.2013
Balga Early Learning Centre	2,000
Ist Beldon Scout Group	5,000
Kingsley Woodvale Cricket Club	1,250
Madeley Primary School	60
Nikolas Maxwell	530
North Beach Athletics	1,000
Padbury Netball Club	3,000
Ride to Conquer Cancer - Customer	660
Ride to Conquer Cancer - Security Branch	500
WA Special Needs Xmas Party	330
Wanneroo Basketball Association	5,500
Wanneroo Business Association	2,640
Wanneroo Football Club	2,500
Wanneroo Hockey Club	5,200
Wanneroo Idol	7,500
West Coast Athletics	1,000
Westcoast Waves Shani Amos - Basketball	2,500
You Like Campaigne	7,000
Total Sponsorship	48,170



Images top to bottom: Wanneroo Hockey Club;
Tory Kendrick Wanneroo Show; Shani Amos;
Nikolas Maxwell.

Directors' report

For the financial year ended 30 June 2013

Your Directors present their report, together with the financial statements of the company for the financial year ended 30 June 2013.

Directors

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



Name: **William Charles Meredith**

Position: Non-Executive Director / Chairperson

Occupation: Business Proprietor

Background Information: Bill has served as the Chairman of Kingsway Community Financial Services Limited for 10 years in March 2013 and before that he was also on the steering committee. He is a licensed electrical contractor and dealer with over 57 years' experience as a business proprietor. Any spare time is spent pursuing his interest in boating and share trading.

Directorships held in other entities: NIL

Interest in shares and options: 11,206 shares



Name: **Joseph James Hawkins J.P.**

Position: Non-Executive Director

Occupation: Business Proprietor

Background Information: Joe has been a Director of Kingsway Community Financial Services Limited for 10 years in March 2013 and before that he was also on the steering committee. He has a successful business involved in transport and associated activities. He is a long standing Rotarian.

Directorships held in other entities: Yes

Interest in shares and options: 11,501 shares



Name: **Peter Michael Burns FCPA**

Position: Non-Executive Director/Company Secretary

Occupation: Certified Practising Accountant

Background Information: Peter is a Certified Practising Accountant and uses his experience in the financial management and governance of the company.

Directorships held in other entities: NIL

Interest in shares and options: 5,000 Shares

Directors' report (continued)

Directors (continued)



Name: **Beverley Jane Errington**

Position: Non-Executive Director

Occupation: Bookkeeper / Administrator

Background Information: Beverley combines her work as the administrator and a Director of the company and is actively involved in the day to day activities of the company and the community. She enjoys meeting likeminded people who want to help the community they live in.

Directorships held in other entities: NIL

Interest in shares and options: 1,000 shares



Name: **Peter John Newbound**

Position: Non-Executive Director

Occupation: Insurance Broker

Background Information: Peter is a registered general insurance broker with extensive industry experience. He is a past President of the Insurance Institute of Western Australian and also the Wanneroo Business Association.

Directorships held in other entities: NIL

Interest in shares and options: 1,000 shares

Company Secretary

Name: Peter Michael Burns FCPA

Background Information: Mr Peter Burns is a Certified Practising Accountant.

Directors' meetings attended

During the financial year, 12 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' meetings	
	Number eligible to attend	Meeting attended
William Charles Meredith	12	11
Joseph James Hawkins	12	11
Peter Michael Burns	12	10
Beverley Jane Errington	12	12
Peter John Newbound	12	8

Directors' report (continued)

Principal activity and review of operations

The principal activity and focus of the company's operations during the year was the operation of a branch of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating results

The profit/(Loss) of the company after providing for income tax amounted to a loss of \$30,583 (profit of \$107,683: 2012).

Dividends paid or recommended

The company declared a dividend payment of \$23,250 on the 24 April 2013.

Financial position

The net assets of the company have decreased from \$424,595 as at 30 June 2012 to \$370,762 as at 30 June 2013, which is due to the difficult circumstances experienced.

The Directors believe the company is in a stable financial position.

Significant changes in 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 these financial statements.

After balance date events

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

Future developments

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Options

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

The Directors and Executive do not own any options over issued shares or interests in the company at the date of this report.

Indemnifying Officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an Officer, but not an Auditor, of the company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

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

Directors' report (continued)

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.

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans

The company has not appointed a separate audit committee due to the size and nature of operations and the limited number of Board members. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of any non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- any non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of any services provided do not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were paid/payable to the external Auditors during the year ended 30 June 2013.

Auditor's Independence Declaration

The lead Auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2013 is included within the financial statements.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.



Beverley Errington
Director

Dated 26 September 2013

Auditor's independence declaration



RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Kingsway Community Financial Services Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink that reads "RSM Bird Cameron Partners".

RSM BIRD CAMERON PARTNERS

A handwritten signature in dark ink that reads "D J Wall".

D J WALL
Partner

Perth WA
Date: 26 September 2013

Liability limited by a
scheme approved
under Professional
Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



Financial statements

Statement of comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2	885,955	1,021,297
Employee benefits expense		(448,106)	(406,937)
Depreciation and amortisation expense		(14,986)	(19,256)
Finance costs		(1,420)	(4,305)
Charitable donations and sponsorship		(46,237)	(45,045)
Other expenses	3	(405,789)	(438,071)
		916,538	(913,614)
Profit/(loss) before income tax		(30,583)	107,683
Income tax expense	4	-	-
Profit/(loss) for the year		(30,583)	107,683
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to members		(30,583)	107,683

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	6	334,903	424,170
Trade and other receivables	7	60,909	56,935
Other current assets	8	24,791	4,858
Total current assets		420,603	485,963
Non-current assets			
Property, plant and equipment	9	15,514	18,500
Intangible assets	10	12,000	24,000
Total non-current assets		27,514	42,500
Total assets		448,117	528,463
Current liabilities			
Trade and other payables	11	8,536	2,498
Short-term provisions	12	7,966	5,407
Other current liabilities	13	56,941	95,963
Total current liabilities		73,443	103,868
Non-current liabilities			
Long service long provision	12	3,912	-
Total non-current liabilities		3,912	-
Total liabilities		77,355	103,868
Net assets		370,762	424,595
Equity			
Issued capital	14	775,009	775,009
Retained earnings/(accumulated losses)		(404,247)	(350,414)
Total equity		370,762	424,595

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2013

	Share capital (ordinary shares) \$	retained earnings (accumulated losses) \$	total \$
Balance at 1 July 2011	775,009	(398,980)	376,029
Total comprehensive income for the year		107,683	107,683
Subtotal	775,009	(291,297)	483,712
Dividends paid or provided for		(59,117)	(59,117)
Balance at 30 June 2012	775,009	(350,414)	424,595
Balance at 1 July 2012	775,009	(350,414)	424,595
Total comprehensive income/(Loss) for the year		(30,583)	(30,583)
Subtotal	775,009	(380,997)	394,012
Dividends paid or provided for		(23,250)	(23,250)
Balance at 30 June 2013	775,009	(404,247)	370,762

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		870,979	992,424
Payments to suppliers and employees		(912,788)	(903,210)
Interest received		11,001	25,898
Borrowing cost paid		(1,420)	(4,305)
Net cash provided by operating activities	15	(32,228)	110,807
Cash flows from investing activities			
Purchase of property, plant and equipment			
Purchase of intangible assets		-	(1,879)
Net cash provided by/(used in) investing activities		-	(1,879)
Cash flows from financing activities			
Dividends paid		(57,039)	(59,117)
Net cash provided by/(used) in financing activities		(57,039)	(59,117)
Net increase/(decrease) in cash held		(89,267)	49,811
Cash and cash equivalents at beginning of financial year		424,170	374,359
Cash and cash equivalents at end of financial year	6	334,903	424,170

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the company as an individual entity. The company is a public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (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. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 26 September 2013 by the Directors of the company.

(a) Income tax

The income tax expense (income) for the year comprises current income tax expense (income). The company does not recognise deferred tax assets or liabilities.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(b) 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.

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 arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these 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 been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that 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 statement of comprehensive income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity 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 depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Plant and equipment	10% - 30%

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

An asset's 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 disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in 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 year.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. 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 company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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.

iii. 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 company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

The company does not hold any derivative instruments.

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 un securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the company reviews 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 asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(f) Intangibles

Franchise fee

The franchise fee paid by the company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Limited is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(h) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, 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 statement of financial position.

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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).

(k) 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.

(l) Goods and services 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 statement of financial position are shown inclusive of GST.

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

(m) Comparative figures

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

(n) 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 within the company.

Key estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(n) Critical accounting estimates and judgments (continued)

Key estimates — Impairment (continued)

No impairment has been recognised in respect of intangibles for the year ended 30 June 2013. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2013 amounting to \$12,000.00.

(o) New accounting standards for application in future periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9	This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.	1 January 2015	The entity will adopt this standard from 1 July 2015 but there is no expected impact on the entity.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(o) New accounting standards for application in future periods (continued)

AASB 119	AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken.	1 January 2013	The adoption of the revised standard from 1 July 2013 is not expected to have a material impact on the entity.
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The company has decided against early adoption of these standards.

	2013	2012
	\$	\$

Note 2. Revenue

Franchise margin income	868,438	995,400
Interest revenue	17,517	25,897
	885,955	1,021,297

Note 3. Expenses

Advertising and marketing	9,557	10,430
ATM leasing and running costs	18,194	17,932
Bad debts	7,529	422
Freight and postage	16,664	19,627
Insurance	15,031	14,279
IT leasing and running costs	25,509	25,397
Occupancy running costs	25,021	28,649
Printing and stationery	13,316	15,426
Rental on operating lease	153,074	142,225
Other operating expenses	121,894	163,684
	405,789	438,071

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 3. Expenses (continued)		
Remuneration of the Auditors of the company		
Audit services	9,000	7,922
Other services	-	-
	9,000	7,922

Note 4. Income tax expense

No income tax is payable by the company as it incurred tax losses for income tax purposes.

- a. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit before income tax at 30% (2012: 30%)	9,175	32,305
Add:		
Tax effect of:		
• non-deductible depreciation and amortisation	-	-
• other non-allowable items	-	-
Less:		
Tax effect of:		
• recoupment of prior year tax losses not previously brought to account	(9,175)	(32,305)
• other allowable items	-	-
Income tax attributable to the company	-	-

At reporting date, the company had tax losses of \$71,738 (2012: 41,155) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$21,522 (2012: \$12,347). This benefit has not been recognised as an asset in the statement of financial position as there is not a high probability of its realisation. The benefits will only be obtained if:

- i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the company continues to comply with the conditions for deductibility imposed by the law; and
- iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

Notes to the financial statements (continued)

Note 5. Key management personnel compensation

a. Names and positions

Name	Position
William Meredith	Chairman
Joseph Hawkins	Non-Executive Director
Peter Burns	Non-Executive Director
Beverley Errington	Non-Executive Director
Peter Newbound	Non-Executive Director

b. Remuneration of key management positions

The total remuneration paid to Directors of the company during the year is \$51,100 (2012: \$59,000).

c. Shareholdings

Number of ordinary shares held by key management personnel

2013 Directors	Ordinary shares			
	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
William Meredith	11,206	-	-	11,206
Joseph Hawkins	11,501	-	-	11,501
Peter Burns	5,000	-	-	5,000
Peter Newbound	1,000	-	-	1,000
Beverley Errington	-	1,000	-	1,000
	28,707	1,000	-	29,707

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 6. Cash and cash equivalents		
Cash at bank and in hand	21,581	23,885
Short term bank deposit	313,322	400,285
	334,903	424,170

The effective interest rate for short term bank deposit was 4.15% (2012: 5.49%); this deposit has a maturity date of 1 August 2013.

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 and cash equivalents	334,903	424,170
Bank overdrafts	-	-
	334,903	424,170

Note 7. Trade and other receivables

Trade debtors and accrued interest	60,909	56,935
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a. Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the statement of comprehensive income.

There is no provision for impairment of receivables.

Note 8. Other assets

Current

Prepayments and PAYG instalment paid	24,791	4,858
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, plant and equipment		
Property, plant and equipment		
Cost	230,494	230,493
Accumulated depreciation	(214,980)	(211,993)
	15,514	18,500
Movement in carrying amount		
Balance at the beginning of the year	18,500	23,877
Additions	-	1,879
Depreciation expense	(2,986)	(7,256)
Carrying amount at the end of the year	15,514	18,500

Note 10. Intangible assets

Franchise fee		
Cost	67,268	67,268
Accumulated amortisation	(55,268)	(43,268)
	12,000	24,000

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

Note 11. Trade and other payables

Trade creditors	8,536	2,498
	8,536	2,498

Note 12. Provisions

Current		
Provision for employee entitlements	7,966	5,407
Non-current		
Long service leave provision	3,912	-
	11,878	5,407
Number of employees at year end	4	4

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 13. Other liabilities		
Accrued expenses	18,120	15,088
Dividend payable	25,510	59,944
GST payable	9,101	16,889
PAYG withheld	4,210	4,042
	56,941	95,963

Note 14. Equity

775,009 (2010: 775,009) fully paid ordinary shares	775,009	775,009
---	----------------	----------------

Note 15. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

Profit/(Loss) after tax	(30,583)	107,683
Depreciation and amortisation	14,986	19,256
Movement in assets and liabilities		
Receivables	(3,974)	(2,976)
Other assets	(19,933)	(350)
Payables	(38,143)	(9,727)
Other current liabilities	38,948	3,439
Provisions	6,471	(6,518)
Net cash provided by operating activities	(32,228)	110,807

b. Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to \$200,000 (2012: \$200,000). This may be terminated at any time at the option of the bank. At 30 June 2013, none of this facility was used (2013: \$nil). Interest rates are variable.

Note 16. Related party transactions

Burns & Baker Accountants Pty Ltd, a firm of which Peter Burns was a former Director, was paid \$22,880 during the financial year ended 30 June 2013 (2012: \$20,975) for accounting and taxation services provided.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 17. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	150,264	241,250
Longer than 1 year but not longer than 5 years	24,533	180,181
	174,797	421,431

Note 18. Other expenditure commitments

ATM Licence fees

Non cancellable commitment contracted for but not capitalised in the financial statements

Payable		
Not longer than 1 year	9,604	8,296
Longer than 1 year but not longer than 5 years	4,001	11,753
	13,605	20,049

Note 19. Dividends

Distributions paid

Final unfranked ordinary dividend of 3c (2012:7.5c) cents per share	23,250	58,126
	23,250	58,126

Note 20. Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments at 30 June 2013.

Notes to the financial statements (continued)

Note 20. Financial risk management (continued)

b. Financial risk exposures and management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2013.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2013 and 30 June 2012 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The company is not exposed to any material commodity price risk.

c. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

Notes to the financial statements (continued)

Note 20. Financial risk management (continued)

c. Financial instrument composition and maturity analysis (continued)

	Variable		Fixed		Non interest bearing	Total
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years		
2013						
Financial assets						
Cash and cash equivalents	-	21,581	-	-	-	21,581
Short term deposits	4.15%	-	313,322	-	-	313,322
Loans and receivables		-	-	-	60,909	60,909
Total financial assets		21,581	313,322	-	60,909	395,812
Financial liability						
Trade and other payables		-	-	-	8,536	8,536
Total financial liabilities		-	-	-	8,536	8,536

	Variable		Fixed		Non interest bearing	Total
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years		
2012						
Financial assets						
Cash and cash equivalents	1.23%	23,885	-	-	-	23,885
Short term deposits	5.49%	-	400,285	-	-	400,285
Loans and receivables		-	-	-	56,935	56,935
Total financial assets		22,066	404,898	-	56,935	481,105
Financial liability						
Trade and other payables		-	-	-	2,489	2,489
Total financial liabilities		-	-	-	2,489	2,489

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 20. Financial risk management (continued)

c. Financial instrument composition and maturity analysis (continued)

Trade and sundry payables are expected to be paid as followed:

	2013	2012
Less than 6 months	39,967	38,517

d. Net fair values

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity analysis

i. Interest rate risk

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

ii. Interest rate sensitivity analysis

At the reporting date, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Carrying amount \$	- 2 %		+ 2%	
		Profit \$	Equity \$	Profit \$	Equity \$
2013					
Financial assets					
Cash and cash equivalents	334,903	(6,698)	(6,698)	6,698	6,698

	Carrying amount \$	- 2 %		+ 2%	
		Profit \$	Equity \$	Profit \$	Equity \$
2012					
Financial assets					
Cash and cash equivalents	424,170	(8,483)	(8,483)	8,483	8,483

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The company has no exposure to fluctuations in foreign currency.

Notes to the financial statements (continued)

Note 21. Operating segments

Types of products and services by segment

The company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Limited in Western Australia.

Major customers

The company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Limited, which accounts for all of the franchise margin income.

Note 22. Events after the reporting date

No circumstances have arisen since the end of the financial year that 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.

Note 23. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Note 24. Economic dependency – Bendigo and Adelaide Bank Limited

The company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Kingsway, Western Australia.

The branch operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the **Community Bank**[®] branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the **Community Bank**[®] branch 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 fit out 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.

Notes to the financial statements (continued)

Note 25. Company details

The registered office and principal place of business of the company is:

Suite 1, 2 Prindiville Drive,
Wangara WA 6065

Directors' declaration

The Directors of the company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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:
4. The financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1

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



Beverley Errington
Director

Dated 26 September 2013

Independent audit report



RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGSWAY COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Kingsway Community Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 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*.

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 Auditing 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 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, 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.

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Major Offices in:
Perth, Sydney, Melbourne,
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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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kingsway Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Kingsway Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

A handwritten signature in blue ink that reads "RSM Bird Cameron Partners".

RSM BIRD CAMERON PARTNERS

A handwritten signature in blue ink that reads "D J Wall".

D J WALL
Partner

Perth, WA
Dated: 26 September 2013



Kingsway **Community Bank**® Branch
168 Wanneroo Road, Madeley WA 6065
Phone: (08) 9409 3177

Franchisee: Kingsway Community Financial Services Ltd
Suite 1, 2 Prindiville Drive, Wangara WA 6065
Phone: (08) 9409 3177 Mobile: 0419 046 328
ABN: 48 104 124 638

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