



Annual Report 2015

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 2015

I am pleased to report that following a number of initiatives by your Directors and the management team, the financial year ended with the company's footings (the amount of deposits and loans held) being in excess of \$250 million, an excellent result. The reduction in the margins payable on the products we market unfortunately means that this growth is not reflected in the company's bottom line.

The Fern Tree Gully **Community Bank**[®] Branch has continued to be the flagship of the company with Rowville **Community Bank**[®] Branch increasing their business and now returning a profit.

Due to a family illness, the proprietors of the business where the Scoresby agency was located decided to close their business. Despite several attempts we were unable to find an alternative suitable site; therefore the decision was taken to close the agency.

Your company, Knox Community Financial Services Ltd was awarded the inaugural 'Business Achievement Award' at the 2015 Aston Community Awards presentation. This award recognised the contribution your company has made to the community over the past 15 years.

This year shareholders were invited to our annual Grants Night which was held in May. An amount of \$35,000 and three defibrillators were given to a number of organisations based in Knox. Recipients of the various grants spoke in glowing terms of the assistance these grants provided to those organisations. The feedback from you, the shareholder was pleasing and positive of our endeavours.

Wellington Village Shopping Centre, where the Rowville **Community Bank**[®] Bank Branch is located, recently underwent extensive building renovations to enlarge the centre. As a result of these improvements to the centre, customer shopping patterns altered resulting in a reduction of customers to the area where our branch was located. After a detailed investigation and looking toward the continuing growth of the Rowville **Community Bank**[®] Branch, it was decided to move the branch to a location better utilised by the public. At the time of writing this report the new premises are undergoing a fit out in order to open the new Rowville **Community Bank**[®] Branch in August.

To date, the Fern Tree Gully and Rowville **Community Bank**[®] branches have contributed and pledged in excess of \$2.5 million in grants and sponsorships to local organisations thereby assisting these organisations to continue to provide a valuable resource to the Knox community.

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

As I indicated last year, following the reductions in margins payable to us from Bendigo Bank, it would be doubtful that we would be able to maintain the same level of dividends as paid for 2013/14 financial year.

Your Directors have recommended 15 cents per share dividend to be paid for the 2014/15 financial year.

None of the above would have been possible without the continuing hard work of our management team and their staff! John Surridge, Senior Group Manager has utilised his professional skills to ensure that the business at both branches is conducted in an efficient, professional and courteous manner. Tina Leslie and Mick Spruhan, Managers of Fern Tree Gully and Rowville **Community Bank**[®] branches respectively have continued to demonstrate a commitment to the branches and the local community. Marcelo Lanzoni, Customer Relationship Manager is demonstrating his willingness to adopt the proven methods which have been developed by the company over many years and at the same investigating new methods to expand the company's footprint.

Chairman's report (continued)

The management team has, of necessity, been in attendance at a growing number of community functions after hours in order to ensure that your **Community Bank**[®] branches are visible throughout the community. The team also continues to be readily available to satisfy our customers' requirements even if it is after hours or there are distances to be travelled. It is this willingness of being available for the customers' requirements that has helped to grow our business. Under their combined leadership the staff continue 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.

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.



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

General Manager's report

For year ending 30 June 2015

By the time we get to the Annual General Meeting we will be 15 years old.

It is interesting to reflect on how far we have come.

Some 15 years ago we did not have any customers or a branch. We opened in a temporary office lent to us by Wally Tew as our first home at 81 Station Street was still in the process of being fitted out as a branch.

Even though it was only for a month, it was interesting times trying to serve new customers and get the information put onto the Bendigo Bank system.

We had to drive to Warburton and input the information every day to enable our customers to get cards, passbooks, etc. How ironic that Warburton was the branch that assisted us with Mick Spruhan as their Manager at that time. As you know Mick eventually came to work for us as the Manager of our Rowville **Community Bank**[®] Branch.

During this short time, not only was it trying, as we did not know the systems of Bendigo Bank but the building was infested with fleas and did not have toilet facilities, this made it interesting to say the least.

When we finally got into the branch things started make sense to us and with the support of the community of Fern Tree Gully we were that successful at the time, we achieved the distinction of being the fastest growing branch in the **Community Bank**[®] network up until that time to reach \$50 million in business.

This figure may seem as though it was easy, it was not, remember all the other banks left Fern Tree Gully as they considered the community could not support them or generate that amount of business.

To get the business on Board Tina Leslie, (Tina was a part time employee at the time) now the Manager of Fern Tree Gully **Community Bank**[®] Branch, and I worked every weekend and long hours to make sure we not only put on business, but ensured the type of business we concentrated on helped us to get to a cash profit after 12 months.

Even though we have been through a variety of economic conditions, boom times, the global financial crises, record low interest rates along with changes in funding arrangements with Bendigo and Adelaide Bank Limited, we have since the first year always managed to turn a profit.

After four years of increasing the business at Fern Tree Gully **Community Bank**[®] Branch and building a cash reserve, we had the opportunity to take up a branch in the new development at Wellington Village in Rowville. Even though we have not been as successful as would have liked at the start, the Rowville **Community Bank**[®] Branch is now kicking goals and is an extremely valuable asset to us.

Most of you will remember that we saved the Post Office from leaving the village by purchasing it. We were again were the first to undertake such an innovative venture even though we on sold the business we continue to own the premises.

In 2007 we moved into our current premises at 67 Station Street that we had been able to purchase through the buildup of cash reserves. Tina and her staff worked through the Melbourne cup weekend during this time at no cost to ensure banking services were not disrupted for our customers.

During our 15 years we have seen a lot of staff join us and also leave us. We make no apology for the turnover of especially young staff members as we have had a policy of giving our local youngsters a chance to get a start in their working lives. Many of these former staff members stay in touch with us and have been able forge careers thanks to our mentoring. This I believe is what our community would expect from us for our youth.

We have had the benefit of numerous community-minded citizens who put themselves up as Directors during our 15 years.

General Manager's report (continued)

Our inaugural Chairman was David Lucas. David was also Chair of the Steering Committee that did the feasibility study and initial set up of your **Community Bank**[®] company. David was instrumental in setting the direction of the company to ensure we were successful, and even more fitting ensuring our community involvement was a priority. David decided to move on in 2008 and the Board then elected Hurtle Lupton as Chairman. Hurtle embraced our community focus from David that makes us different from others and he has continued to build on it.

A highlight of our times in the community has been the amount of money we have been able to put back into our local communities. When we assist these community groups it makes staff and management proud to work for your **Community Bank**[®] branches when we know that we are assisting our community prosper.

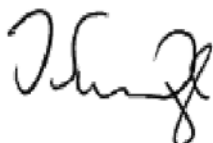
We have contributed \$2.849 million back into our local communities. It must be remembered not only have the funds from the **Community Bank**[®] branches been put back into the community, the community groups also contribute funds to the various projects. Their members then also contribute to the community by way of contra with their labour. I have seen reports where the funds committed from us is multiplied by at least three times in terms of community benefits, this is an excellent outcome for our communities.

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. They go out of their way to ensure you as customers are our priority.

As shareholders you can proudly recommend our branches to others with the confidence they will receive service and attention second to none and that their banking will help us to continue to maintain funding to our community partners.

I also pass on my thanks to Bendigo and Adelaide Bank Limited, especially our Regional Manager Mark Nolan. 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 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 2015

It has been an absolutely fantastic 12 months for the Fern Tree Gully **Community Bank**[®] Branch.

We have 6,814 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 \$131.393 million this is an outstanding effort being a growth of \$17.514 million for the financial year. We all should be proud of and is indicative of the successful message and customer service we have implemented throughout the community.

As you will see from the various reports, funds are continually flowing back into the community and this will continue to be with your ongoing support. I believe the shareholders will be proud, as once again Fern Tree Gully and Rowville **Community Bank**[®] branches are largely promoting our community involvement with the huge success of our grants night which several different organisations received funds from us to fund their projects.

The branch has now entered into its 15th year, which in itself is a massive achievement made possible with our staff members' dedication and commitment which is second to none.

I would like to thank John Surridge for another year of guidance and support, our friendly team of staff at the Fern Tree Gully **Community Bank**[®] Branch, Marcelo, Tina, Rochelle, Anna, Daniel, Debra, Jenny 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 2015

The 2014/15 financial year was another good year for growth as Rowville **Community Bank**[®] Branch increased its footings by \$10.978 million for the year. As of 30 June, our combined book now sits at \$120.754 million.

Our growth was fairly evenly spread with deposits growing \$5.424 million and lending increasing by \$5.554 million.

One of the factors that we strongly feel has been inhibiting Rowville **Community Bank**[®] branch's growth in previous years is that people/residents were unaware that the branch existed in the Wellington Village Shopping Centre. That's right after over 10 years, we were still getting comments along the line of "I didn't know there was a bank there!" So, when the opportunity came up which presented us with direct exposure on Wellington Road, the Board and Management decided it was too good to pass up.

Work on the modern new site commenced late in the financial year with a view to be in the new premises by the middle of August 2015.

During the 2014/15 financial year, with the banking support being given to us by you, our customers, we have been able to maintain our sponsorships, donations and grants together with Fern Tree Gully **Community Bank**[®] Branch. It is interesting that the clubs which benefit most from our initiatives are those that really take responsibility for promoting the benefits, both personal and for their clubs, of banking with their local **Community Bank**[®] branch.

Together with Fern Tree Gully **Community Bank**[®] Branch we have provided sponsorships, grants, defibrillators, scoreboards and equipment. It is fairly simple, support us with your banking and in turn we will have more funds to support you in your club/association or organisation.

Last year I thanked the staff for their continued support. It is true that without their commitment and support, Rowville **Community Bank**[®] Branch would not be the success it is becoming. Collectively, we have had another good year and in no small way it is due to the way the staff and their professionalism and standard of service. Thanks and well done.

We challenge you, your family and friends to come in and experience the service. Don't be complacent, we expect you will enjoy the change.

The 2015/16 will be another year of successes, challenges and we believe continued growth. Come over and be a part of it!



Mick Spruhan
Branch Manager

Finance report

For year ending 30 June 2015

The 2014/15 financial year has been one of continued sustained growth, with business under management increasing by 15% from \$220 million to \$253 million. This has provided a substantial improvement other key financial outcomes compared to the previous financial year, resulting in:

- An 8% increase in ordinary operating revenue on the previous financial year to \$1.921 million
- A 9% increase in net profit (before tax) on the previous financial year to \$222,481
- Return on shareholders funds (before tax) of 13%
- Earnings per share before tax of \$0.28
- Declaration of a dividend per share of \$0.175
- Approximate net realisable asset coverage per share of \$2.40
- Market capitalisation based upon the last share trade of the financial year of \$2.50 of \$1.951 million.

The contributing factor to this result the continuing growth in revenue from both **Community Bank**[®] branches which is extremely pleasing in the current economic climate. The end of year internal financial management reporting summary is detailed in the table below:

Summary profit & loss statement 2014/15	\$
Operating revenue	1,921,507
Less employment expenses	1,186,762
Less occupancy expenses	207,312
Less operating expenses	160,604
Equals ordinary operating profit	349,037
Less net community investment	43,388
Less Directors expenses	49,092
Less franchise renewal	68,713
Less depreciation	15,363
Add investment income	36,208
Equals net profit (b/tax)	226,481



Darren Pearce
Finance Director

Marketing report

For year ending 30 June 2015

Welcome to this year's Marketing report.

The Marketing Committee comprises:

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

For the year 2014/15, the Marketing Committee worked toward a budgeted allocation of \$150,000, down \$20,000 from the previous year. The income allocated toward marketing is in two parts:

- The Marketing Development Fund (MDF) from Bendigo Bank, allocated at \$1,000, per million of footings, to a maximum of \$50,000 per branch. We therefore receive 2 x \$50,000.
- The company contribution, this year being \$50,000.

Our allocated expense budget was \$142,950, this included three x \$6,000 representing the third year of the five-year scoreboard sponsorships for each of the scoreboards at FTG, UFTG and Scoresby football ground.

The final full year marketing expense result was \$117,105. The main areas under budget were the Scoresby agency, and our corporate area.

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

The MDF is provided by Bendigo Bank for companies to undertake their own localised marketing. Under Project Horizon (a business transformation process between Bendigo Bank and the **Community Bank**[®] company franchises) we will see a reduction in the MDF allocated per branch, replaced by a centralised corporate marketing message.

Our local budgeting figures will therefore be trending downwards as we adjust to the revised model.

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		\$30,000	\$0	\$0	\$20,000	\$50,000
Total		\$30,000	\$50,000	\$50,000	\$20,000	\$150,000

Marketing report (continued)

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	\$10,000	\$4,660	\$2,819	\$0	\$17,479
Marketing	6-1006	\$14,118	\$12,071	\$4,865	\$0	\$31,054
Donations	6-1120	\$480	\$1,369	\$0	\$0	\$1,849
Sponsorships	6-1185	\$13,517	\$19,831	\$27,375	\$6,000	\$66,723
Totals		\$38,115	\$37,931	\$35,059	\$6,000	\$117,105

Advertising

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

Main items for the year included Newsletter, 3MDR, FTG News, Rowville Lysterfield news and letterbox drops.

Sponsorship

Represents marketing aimed at a direct feedback to the company bottom line. Main items for the year included Yerring Meadows Golf, FTG Footballers, Knox Cricket Club and Sherbrooke Basketball. Note that scoreboard funding provided in 2013 for FTGFC, UFTGFC, and Scoresby equates to five years of sponsorship.

Donations

Represents marketing to a similar target group as sponsorships, but without the expected direct feedback. This now represents our lowest expense category with most funds directed towards either sponsorships or community grants.

General Marketing

Represents all other cost associated with Marketing. Main items for the year included, wages, post budget breakfast, conference attendance and promotional items.

This year we ran a Post Budget Business Breakfast in conjunction with the Rotary Clubs of Knox. The event attracted over 70 attendees, and based on the positive feedback, we hope to see the numbers increase next year.

Community Grants 2015

Community Grants applications totalled some \$36,835. We were pleased with the level of applications this year with 18 organisations receiving grants, plus three community groups receiving a defibrillator.

2014/15

The Marketing plan for 2015/16 year will work to an allocated expense budget of \$135,000. With the Project Horizon changes due to come into full effect from 2016/17, we will begin our transition earlier. This will change the way we are able to engage locally, and we will seek more of a business partnership for all ongoing sponsorship arrangements.

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

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

Marketing report (continued)

Summary

I wish to again thank the Marketing Committee for their efforts over the year and look forward to another successful year across 2015/16. Special thanks to John, Tina and Mick for their after hours time. All three put in to represent us in the community.

Finally a personal note of thanks to Janine Shepherd, our Community Liaison Officer.

Janine will be finishing after this year's AGM. Working with John, Janine has been the lead behind the new format website and newsletter, all our marketing activities including the AGM, The Grants Review and Presentation, this years Post Budget Business Breakfast, and too many more items to mention.

We wish her well, and Janine will be sadly missed.

Yours sincerely,



Etienne Clauw
Marketing Director

Directors' report

For the financial year ended 30 June 2015

Your Directors present this report on the company for the financial year ended 30 June 2015.

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 (Resigned)	2	5
Darren Pearce	12	12
Hurtle Lupton	12	12
Etienne Clauw	10	12
Phillip Reibelt	8	12
Desmond Higginbotham	11	12
Anthony Holland	11	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 2015 \$	Year ended 30 June 2014 \$
148,744	153,728

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 \$226,481.

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 Bank **Community Bank**[®] branches operating in Ferntree Gully and Rowville. No significant change in the nature of these activities occurred during the year.

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.

Directors' report (continued)

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' share holdings are as follows:

Name of Director	Share holding
Graeme McEwin	6000
Darren Pearce	5500
Hurtle Lupton	6000
Etienne Clauw	0
Phillip Reibelt	0
Desmond Higginbotham	1000
Anthony Holland	500
Jeffrey Somers	1000

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.

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.

Directors' report (continued)

Indemnifying Officer or Auditor (continued)

Disclosure of the nature of the liability and the amount of the premium paid 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: 24 September 2015

Auditor's independence declaration

KNOX COMMUNITY FINANCIAL SERVICES LTD

ABN 88 093 823 708

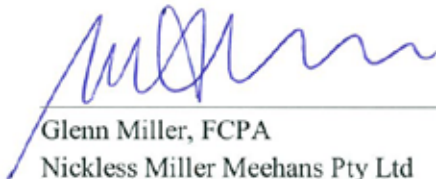
Auditor's Independence Declaration

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 2015 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 : *24th September, 2015*



Glenn Miller, FCPA
Nickless Miller Meehans Pty Ltd
110 Drummond Street, Oakleigh VIC 3166

The accompanying notes form part of these financial statements.

Financial statements

Income Statement for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	2,057,714	1,935,764
Bad and doubtful debts	3	(1,242)	(3,566)
Depreciation and amortisation expenses	3	(15,363)	(15,063)
Other expenses from ordinary activities		(1,814,629)	(1,712,629)
Profit from ordinary activities before income tax		226,481	204,506
Income tax expense relating to ordinary activities	4	(77,737)	(50,777)
Net profit attributable to members of the company		148,744	153,728

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

	Notes	Retained profits \$	Issued & paid up capital \$	Total \$
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
Profit attributable to the members		148,744		148,744
Shares issued during the year			0	0
Subtotal		1,104,129	780,750	1,884,879
Dividends provided for or paid	5	(136,631)		(136,631)
Balance at 30/06/2015		967,498	780,750	1,748,248

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance sheet as at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Current assets			
Cash assets	6	1,095,093	992,464
Total current assets		1,095,093	992,464
Non-current assets			
Property, plant and equipment	7	857,481	872,844
Total non-current assets		857,481	872,844
Total assets		1,952,574	1,865,308
Liabilities			
Current liabilities			
Payables	8	72,643	40,299
Current tax liabilities	9	127,272	84,464
Other	10	4,410	4,410
Total current liabilities		204,326	129,173
Total liabilities		204,326	129,173
Net assets		1,748,248	1,736,135
Equity			
Contributed equity	11	780,750	780,750
Retained profits		967,498	955,385
Total equity		1,748,248	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 2015

	2015 \$	2014 \$
Cash flow from operating activities		
Receipts from customers	2,033,180	1,891,106
Payments to suppliers and employees	(1,773,197)	(1,727,839)
Interest received	20,172	32,355
Income tax paid	(41,456)	(38,006)
Income tax refunded	561	101,627
Net cash provided by (used in) operating activities (note 2)	239,260	259,243
Cash flow from investing activities		
Fixed asset purchases	0	(2,050)
Net cash provided by (used in) investing activities	0	(2,050)
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	102,629	120,562
Cash at the beginning of the year	992,464	871,902
Cash at the end of the year (note 1)	1,095,093	992,464

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015 (continued)

	2015 \$	2014 \$
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	268,612	277,437
Investment account	233,382	170,459
Term deposit	592,598	544,068
Deposit bonds	500	500
	1,095,093	992,464

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

Operating profit (loss) after tax	148,744	153,728
Depreciation	15,363	15,063
Increase/(decrease) in provision for income tax	36,842	114,399
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Increase (decrease) in trade creditors and accruals	38,311	(23,947)
Net cash provided by operating activities	239,260	259,243

Notes to the financial statements

For year ended 30 June 2015

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 the Corporations Act 2001, Australian Accounting Standards and interpretations of the Australian Accounting Standards Board and international Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for cash flow information, has 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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Leases (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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).

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.

a) 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.

	2015	2014
	\$	\$

Note 2. Revenue and other income

Revenue:

Banking Income	2,021,506	1,886,036
Interest revenue	20,172	32,355
Rent received	16,036	17,373
	2,057,714	1,935,764

Notes to the financial statements (continued)

	2015 \$	2014 \$
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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	1,242	3,566
Depreciation of non-current assets	15,363	15,063

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	77,737	50,777
Income tax expense attributable to profit from ordinary activities	77,737	50,777

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	268,612	277,437
Investment account	233,382	170,459
Term deposit	592,598	544,068
Deposit bonds	500	500
	1,095,093	992,464

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	1,095,093	992,464
	1,095,093	992,464

Note 7. Property, plant and equipment

Buildings:

- At cost	772,928	772,928
	772,928	772,928

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 7. Property, plant and equipment (continued)		
Leasehold improvements:		
- At cost	46,645	46,645
- Less: Accumulated depreciation	(46,645)	(46,645)
	0	0
Plant and equipment:		
- At cost	268,824	279,037
- Less: Accumulated depreciation	(184,271)	(179,121)
	84,553	99,916
	857,481	872,844

Note 8. Payables

Trade creditors	37,161	14,698
Other creditors	35,482	25,601
	72,643	40,299

Note 9. Tax liabilities

GST payable	60,021	56,642
Taxation	49,613	12,771
PAYG withholding payable	17,638	15,050
	127,272	84,464

Note 10. Other liabilities

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

Note 11. Contributed capital

Ordinary shares at \$1.00 each fully paid	780,750	780,750
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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 12. Contributed 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 Australian Accounting Standards, which, as stated in the notes, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the company's financial position as at 30 June 2015 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: 24 September 2015

Income statement

For the year ended 30 June 2015

	2015 \$	2014 \$
Income		
Gross margin	1,430,175	1,315,091
Commission	23,021	16,913
Trailer commission	258,594	239,589
Fee income	209,717	214,440
Market Development Fund	100,000	100,004
Interest received	20,172	32,355
Rent received	16,036	17,373
Total income	2,057,714	1,935,764
Expenses		
Accountancy	22,070	24,795
Advertising, marketing & sponsorship	108,896	116,649
Bad debts	1,242	3,566
Bank fees & charges	3,326	2,000
Bendigo and Adelaide Bank Limited fees	73,663	74,608
Board expenses	5,119	5,434
Cleaning	35,036	22,482
Couriers	13,662	14,878
Depreciation	15,363	15,063
Directors fees	43,973	45,492
Donations	34,492	97,685
Franchise fees	68,713	0
Filing fees	1,692	1,113
Heat, light & power	18,253	18,278
Insurance	24,854	26,050
Legal fees	1,492	4,012
Payroll tax	29,595	25,593
Postage	2,870	2,907
Printing & stationery	16,980	20,346
Procedural errors	209	894
Rates & land taxes	10,342	7,693
Rent on land & buildings	94,749	92,535

Income statement (continued)

	2015 \$	2014 \$
Expenses (continued)		
Repairs & maintenance	6,913	10,486
Salaries	999,293	920,630
Security	5,156	9,907
Share registry	3,169	3,181
Staff training	15,588	15,400
Sundry expenses	15,171	12,694
Superannuation	116,480	93,865
Telephone	17,063	17,084
Travel, accom & conference	11,388	23,282
Uniform	11,651	0
Workcover insurance	2,767	2,655
Total expenses	1,831,233	1,731,258
Profit from ordinary activities before income tax	226,481	204,506

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 2015, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2015 .

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 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.

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,

Independent audit report (continued)

KNOX COMMUNITY FINANCIAL SERVICES LTD

ABN 88 093 823 708

Independent Auditor Report

- (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 2015 and of its performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Standards Interpretations) and the Corporations Regulations 2001:
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Signed on : *24th September, 2015*



Glenn Miller, FCPA

Nickless Miller Meehans Pty Ltd

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