

# KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

## ANNUAL REPORT 2014

Turrumurra and Lindfield  
**Community Bank®** branches



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# Chairman's report



Dina Coppel, Chairman

It is my pleasure as the new Chairman of Ku-ring-gai Financial Services Limited (KFSL) to report on the company's progress during the year ended 30 June 2014.

During the past financial year, the company celebrated the 10th anniversary of the opening of the Turramurra **Community Bank**<sup>®</sup> Branch. It was our pleasure to acknowledge the tremendous work done by all those involved over this period, but in particular, the staff in the branch, led by Senior Community Branch Manager, Denice Kelly and the directors of the Board, past and present, led by former Chairman, David Langdon.

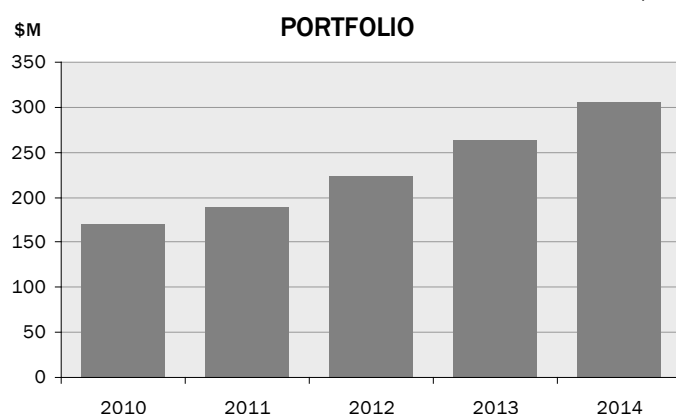
## Operating results

The company's financial results are largely comprised from the operations of the Turramurra and Lindfield **Community Bank**<sup>®</sup> branches. During the financial year ended 30 June 2014, the two branches together were able to achieve the milestone of over \$300 million of banking business, which included an increase of \$43 million during the year, or just over 16% on the prior year (see Graph 1).

Almost \$100 million of this banking business comprises loans, whether home, business, investment or personal, to local residents and businesses in the Ku-ring-gai community. The two branches had a total of 4,291 customers and 6,988 customer accounts as at year end.

Given the very competitive banking environment, from both the major four banks and other regional banks, this growth in both portfolio and customers is particularly pleasing and a credit to the work of the Managers and staff.

Graph 1



# Chairman's report continued

The company's revenue for the year was \$1.88 million with net profit before tax down to \$39,600. After provision for income tax, there was a net profit attributable to members of \$28,483, which represents a decrease of 39% in pre-tax profit and 33% in after tax profit (see Graphs 2 and 3).

The decreases in both revenue and profit for the year reflect both the low interest rates and competitive financial environment, making margins slimmer, and the reduced rates of commissions we receive from Bendigo and Adelaide Bank. As discussed in last year's Annual Report, these new arrangements came into effect on 1 April 2013 in respect of fixed rate home loans and certain term deposits. Given the current low interest rates prevailing in Australia, these are products many of our customers are either seeking out for the first time or seeking to change into, thereby having a significant negative impact on our revenue and profit.

In addition, in light of the current low interest rates, we have also seen an increase in customers paying down debt and switching from variable rate to fixed rate home loans. The reduction in the company's revenue is a reflection of both of these trends.

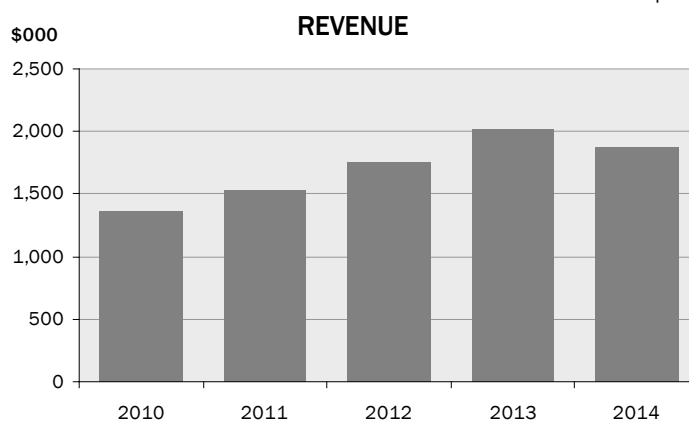
One of the fundamental elements of the **Community Bank®** model is the investment by **Community Bank®** branches in the community. Despite our reduced revenue for the year, the company was still able to invest \$71,000 into the community.

The company's balance sheet remains strong despite the reduced profit, with an increase of over 10% in year end cash reserves from \$869,000 to \$966,000, despite the payment of a significant franchise renewal fee during the year (see Graph 4).

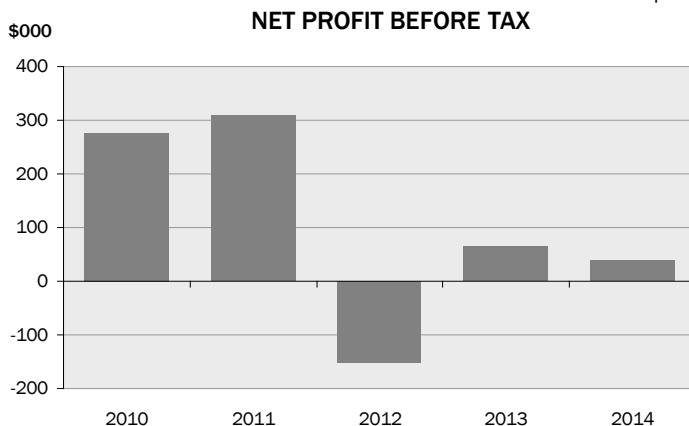
## No dividend

As you are aware, the Directors resolved not to pay a dividend last year in anticipation of the fall in revenue and profit. Again this year, the Directors have resolved not to pay a dividend in respect of the year ended 30 June 2014.

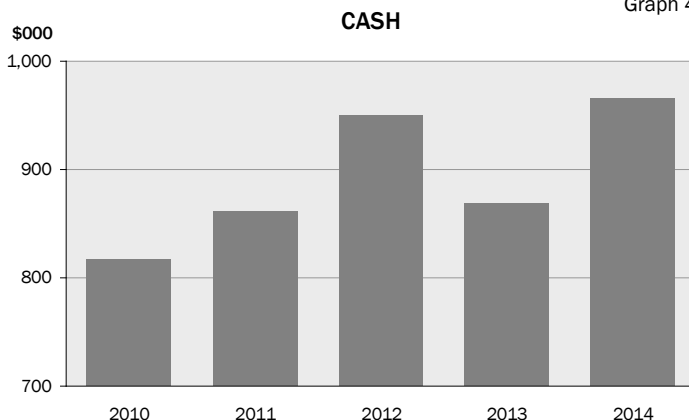
Graph 2



Graph 3



Graph 4





The Directors do wish to better understand the expectations of our shareholders and intend to conduct a survey during the year in relation to future dividends, community investment and engagement with the company.

### Investing in our community

As indicated above, the company, through our Turrumurra and Lindfield **Community Bank**<sup>®</sup> branches, invested \$71,000 to the local community in the form of community grants, donations and sponsorships during 2013/14 (see Graph 5).

Considerable work has been done by the company in reviewing the impact of our community investment and seeking to maximise the benefits for the community. This has meant that at times a larger number of small grants are made to a broader range of organisations, where the need may be greater. In particular, this has taken place through the Staff Grants program, where our staff help to facilitate not only the provision of funds, but also the opportunity for organisations to share their story and publicise their services. This facilitation of community network and engagement is not only valuable to the recipients, but also deeply satisfying for our staff.

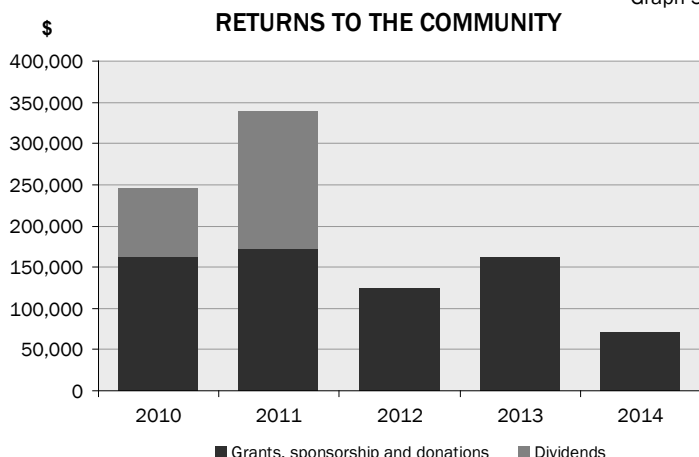


Sharon Franke presents a Staff Grant to her chosen community group

Piggy is a popular visitor at the Ku-ring-gai Netball Association Sponsors Day



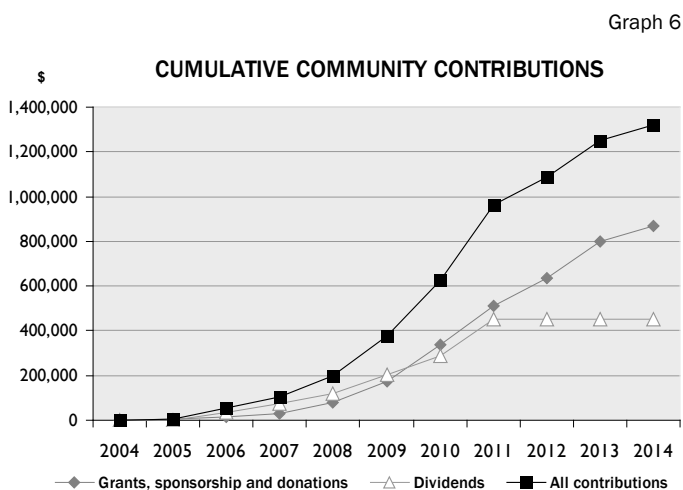
Graph 5



# Chairman's report continued

We are also seeking to encourage our community organisations to see their relationship with us as mutually beneficial, such that a greater amount of banking business by their members can result in a greater contribution to their organisation. This has seen our relationships with a number of sporting and school groups develop significantly.

Recipients of community investment from the company include: Beaumont Road Public School, Beautify Turrumurra, Bradfield Comedy Debate, East Roseville Bowling Club, Gordon Bowling Club, Gordon Netball Club, Hamlin Fistula, Handley Avenue Preschool, Hornsby Ku-ring-gai Messiah Production, Jewish Arts Inc, Killara Bowling Club, Killara High School, Ku-ring-gai Art Society, Ku-ring-gai Netball Association, Ku-ring-gai Bowls Tournament, Ku-ring-gai Council, Ku-ring-gai Meals on Wheels, Ku-ring-gai Philharmonic Orchestra, KYDS Mental Health Forum, Lantern Club, Lindfield Bowling Club, Lindfield East Public School, Lindfield Rotary Fun Run, Lindfield Rotary RYLA, Lindfield Rugby Club, Lindfield Women's Bowling Club, Lynch Syndrome Australia, Ku-ring-gai Men's Shed, McEwen Fundraiser, North Shore Temple Emanuel Preschool, Pharmacy Cricket, Roseville Golf Club, Turrumurra Rotary, Studio D'Artes, Support Lindfield, Technology Ski Club, Trish Foundation, Turrumurra Bowling Club, Turrumurra



Croquet Club, Turrumurra High School, Turrumurra Lookout Community Garden, Turrumurra Rotary Qantas Flight for the Disabled, Warrawee Public School, West Pymble Football Club, World Youth Leadership and Zonta Club.

The contribution made over the past 12 months, brings the cumulative contributions to local community groups since the company's inception to more than \$870,000. When one includes the \$450,000 in dividends paid to date, the company has now returned more than \$1.32 million to local residents and community groups (see Graph 6).



The inaugural Turrumurra Community Forum

## Community Forums

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

The Support Lindfield Committee, which evolved from the Lindfield Community Forum initiated by the company in September 2012, has made great strides. The Committee's vision for the creation of a local multi-purpose commercial, community and car park facility continues to develop and take shape, with a number of major stakeholders now engaged.

In November 2013, the company facilitated the inaugural Turramurra Community Forum, which brought together over 80 enthusiastic community members to consider a range of projects for Turramurra. Of these, the Support Turramurra, Beautify Turramurra, Helping Hand and Turramurra High School's "Project Inside Out" are four initiatives being developed in consultation with local community and government organisations. The company is particularly delighted to be a significant partner in assisting Turramurra High School to bring their proposed outdoor learning environment to reality.

## Youth Observer program

Consistent with the desire to invest in community is the need to invest in the future leaders of our community. To this end, the company continues to support the highly acclaimed Youth Observer program. This program provides an opportunity for two year 11 students each from Killara and Turramurra High Schools to gain insights and understanding as to the running of a public company.



Piggy money boxes are involved in promoting home and travel insurance as well as participating in the Australia-wide *Masterchef* promotion and the branch birthday parties



# Chairman's report continued

David Hollott facilitates discussion at the  
Turrumurra Community Forum

In addition to our Youth Observers attending Board meetings, the Directors encourage them to participate in subcommittees of their interest, where possible, and to attend our community events. The program continues to receive excellent feedback from existing and past participants, providing them not only with increased commercial understanding but also the desire to continue to volunteer and give back to their community.

We thank our 2013/14 Youth Observers, Andy French, Sumedh Kalra, Chloe Long, and Michael Reidy for their participation and wish them all the best for their futures. Our Youth Observers for 2014/5 are Tanya Agrawal and Georgia Frazer from Killara High School and Adin Milligan and Raha Naraghi from Turrumurra High School.

## Our People

Business cannot operate without people and successful growing businesses result from motivated and engaged staff.

The staff in both branches have used the 10th anniversary of the Turrumurra **Community Bank**<sup>®</sup> Branch last year as inspiration to continue to find better ways to serve our customers and community. Both branches continue to receive outstanding reports from internal reviews and external customer feedback, citing



customer service excellence and a real interest and care in their customers and local communities.

The Directors would particularly like to thank Denice Kelly and Warren Dwyer, the Managers of our Turrumurra and Lindfield **Community Bank**<sup>®</sup> branches respectively. Denice enjoyed a well-deserved break during the year after more than ten years service to the company. During that time the Turrumurra staff, under the leadership of Michele Ferris, did an outstanding job of maintaining the level of excellence for which the branch is renowned. Our thanks and congratulations go to all the members of our staff for their passion and commitment to the company, their customers and the local community.



2014 Youth Observer Raha Naraghi and Adin Milligan from Turrumurra High School, director Chris Williamson, with Tanya Agrawal and Georgia Frazer from Killara High School



David Langdon and Barry O'Farrell  
have overseen the opening of two  
**Community Bank®** branches in Ku-ring-gai



Getting our message out is a vital part of what we do. David Hollott, our Marketing Consultant, with the assistance of Jenni Wray for newsletters and publicity, has done this in an outstanding manner for the past ten years. David has now decided to step down from this role and I would like to take this opportunity on behalf of the Directors, staff and wider community, to thank him for his commitment to and passion for the **Community Bank®** model and his ideas and inspiration as well as hard work over the past ten years.

The Directors would also like to thank Julie Fidler, our Company Secretary, bookkeeper and share registrar for her continued dedication and efforts. Julie's expertise and energy ensure that the "behind the scenes" operations run smoothly and efficiently, making the Directors' role simpler.

To the Directors, all of whom volunteer many hours every month attending Board meetings, committee meetings and attending to company business, I thank you for your dedication and hard work. I appreciate the support you provide me and the Managers and staff in so many different ways. The challenges continue, given the external environment, managing the ongoing relationship with Bendigo and Adelaide Bank and maintaining our raison d'être of supporting the community. It is gratifying to see such a talented group of people coming together and giving of their time and skills in such a productive manner.

Finally and very importantly, I wish to extend the thanks and gratitude of the past and present Directors and staff to David Langdon. David was the founding Chairman of the company and a strong advocate of the **Community Bank®** model for some years before the company was established. David stepped down as Chairman on 30 June 2014 and will retire from the board at the Annual General Meeting in November 2014. Having driven the establishment and success of the Turrumurra **Community Bank®** Branch, David was subsequently a key advocate in the establishment of the Lindfield **Community Bank®** Branch. In addition, David has been a driving force behind much of the community engagement and investment, not the least of which was the \$100,000 contribution to Hero HQ, the cornerstone of a \$3.8 million facility for the SES and RFS. David's passion and dedication to the **Community Bank®** model is evidenced by his contribution and assistance to a number of other **Community Bank®** companies and the broader **Community Bank®** network.

I personally wish to thank David for his encouragement, mentoring and assistance in taking over his role and hope that he can enjoy more time on the golf course and with his family. Further acknowledgement of David's role is provided elsewhere in this Annual Report.

# Chairman's report continued

## Outlook

Market indications are that low interest rates will continue for the next 12 months. For the year ended 30 June 2014, we managed to grow the portfolio, despite the competitive market conditions and low interest rates. We believe that continued portfolio growth will position the company well for when rates do start to climb and customers inevitably switch back to variable rate loans. Nevertheless, the Directors do not anticipate that this turnaround is likely during the coming financial year and accordingly this may impact on the company's operating results.

The Directors have been engaged in a review of the company's strategy and operations and together with the staff will continue to look at ways to reduce expenses while still growing our business and revenue.

The Directors are also continuing to consider appropriate board composition and succession processes.

## Bendigo Bank

Our partnership with Bendigo and Adelaide Bank continues to strengthen. I wish to thank the NSW and ACT Manager Phil Jones, our Regional Manager Alex Hughes, Regional Operations Manager Tracey Avolio and the NSW State Office staff for the advice, expertise and assistance provided to our staff and Directors during the year. Thanks also to John Chandler and Chris Pursehouse who continue to provide support to the Directors in their roles in 'Community Strengthening'.

Last year, Bendigo and Adelaide Bank announced a review of the **Community Bank**<sup>®</sup> model, called *Project Horizon*. This is a broad-ranging review of the model in all respects, including sharing of income, structuring and managing relationships across the network. In recognition of his expertise and desire to help find solutions to some of the issues that have arisen in the past, Roman Tarnawsky, our Deputy Chairman, has been appointed to the Steering Committee. This also provides the company with a voice in this process. To date, the early reports appear positive and we believe

this review may lead to even stronger partnership perspectives between the company and Bendigo and Adelaide Bank.

In July of this year, Bendigo and Adelaide Bank was recognised as the bank whose customers recommend it more than any other bank. This is no doubt in recognition of the service ethic of staff across the Bank and the **Community Bank**<sup>®</sup> model.

## Conclusion

As we move into the second decade of our operations, the challenges are no longer just of growing business but also of retaining customers and maintaining enthusiasm. I have no doubt that the staff and Directors continue to be enthusiastic and motivated to drive improved financial outcomes along with continued community investment and engagement.

I thank our more than 500 shareholders for their support of the **Community Bank**<sup>®</sup> model in Ku-ring-gai. I take this opportunity to remind all readers that your support as customers and advocates of our **Community Bank**<sup>®</sup> branches remains vital in ensuring our continued success.

I look forward to seeing as many shareholders as possible at our 12th Annual General Meeting, which will be conducted at Turramurra Masonic Centre on Tuesday 18 November 2014, commencing at 7:00 pm.

In the meantime thank you once again for your ongoing support and engagement.



Dina Coppel  
Chairman

# Farewell to David Langdon



David Langdon, founding Chairman of Ku-ring-gai Financial Services Limited, stepped down from his role on 30 June 2014 and intends to retire as a director of the company at the 2014 Annual General Meeting.

'I blame it on the Olympics', said David, when asked how he first became involved in the Steering Committee to establish a **Community Bank**<sup>®</sup> branch in Turramurra.

David had recently retired from a senior role in a multinational consultancy firm. With his eye on the millions being made in the dot.com bubble he undertook a course with the Australian Institute of Company Directors, to pave his path to riches and fill the hours of his retirement.

At the same time, David was hugely impressed – as we all were – at the wonderful work of the volunteers during the Sydney 2000 Olympics.

So naturally David combined the two: he decided to forego the dot.com riches and take his place as a volunteer director. At the founding meeting of the company in December 2002, he was elected Chairman and found himself at the helm of a new business trying to make a name for itself in the shadow of some very big competition.

Under David's chairmanship, Ku-ring-gai Financial Services Limited has grown into a substantial business and has expanded into a second branch in Lindfield. David's knowledge and expertise has been recognised in the **Community Bank**<sup>®</sup> network as a presenter at State and National **Community Bank**<sup>®</sup> conferences, a board mentor for new branch start-ups, and as appointed chairman of Homebush Community Financial Services Limited to guide that company through a rebuilding phase.

David has earned the admiration and respect of many throughout the **Community Bank**<sup>®</sup> network, but his greatest satisfaction is the benefit that the company has been able to bring to our own community. He has great admiration for the myriad of groups that work to make our community a better place, and is infectiously enthusiastic for the projects that we have been able to support. David and his wife Ruth have always led by example and worked tirelessly for the success of our **Community Bank**<sup>®</sup> branches and our community.

David is the last of the founding Directors appointed in 2002 to step down from the Board. As Company Secretary appointed at that same meeting, David's retirement also marks the end of an era for me. One of the strengths of this company however is that we have always had a dynamic Board with a healthy turnover of directors with diverse skills, and the continuing directors all bring considerable experience and expertise to their roles.

Thank you David for being such a great leader, colleague and friend.

Julie Fidler

Company Secretary

# Turrumurra Senior Branch Manager's report



## 'Bigger Than a bank'

### *Thanks to our Staff, Customers and our Community*

Although there have been many challenges over the past 12 months, the Turrumurra **Community Bank**® Branch continued to grow both the deposit and loan portfolios to in excess of \$250 million. An outstanding effort by all staff given the competitiveness of the financial markets, but then we are 'Bigger than a bank.'

The result was achieved with the wonderful support of our existing customer base who continued to increase their banking relationships with us.

Customers advocated the professional and personal service provided in our open plan branch, which enabled them to comfortably sit and discuss their banking needs. The conversations held with my experienced banking consultants ensured their every banking need was met, including home, investment and business loans processed in branch.

As each customer walks into the branch, it is evident that every staff member is committed to the concept that their business effectively makes a difference to their community.

Being 'Bigger than a bank' is an appreciation of the value the Turrumurra **Community Bank**® Branch brings to the community. Staff participation in many events over the past year, both in and out of the branch, attending functions, forums, morning teas and many other events saw our staff out in our community – how many other “banks” do that?

In particular, the Turrumurra Community Forum, attended by all the branch staff, brought together a cross section of the community to discuss ways and means of improving our wonderful “village” both in the short and long term. The two principal working groups that were born at the forum, “Support Turrumurra” and “Beautify Turrumurra”, in conjunction with a very helpful Ku-ring-gai Council, are already making their mark.

In short, we have a sound foundation within the branch and our community for the year ahead.

A stylized, handwritten signature in black ink that reads 'Denice Kelly'.

Denice Kelly  
Senior Branch Manager  
Turrumurra **Community Bank**® Branch

Turrumurra staff: Vikki Atkins, Karen Chivas,  
Diana Smith, Gabi Phipps, Jodie Chilvers, Denice Kelly,  
Michele Ferris, Sharon Franke



# Lindfield Branch Manager's report



## From little things, big things grow

We are coming up to the end of our third year and will be celebrating our anniversary on 7 October 2014. When I look around Lindfield there is no doubt that your **Community Bank**<sup>®</sup> branch is now part of the business establishment of the area.

Our awareness is higher, not only due to the increasing number of customers we now have, but more importantly we have a reputation for service that is unequalled in the banking sector. The staff and management of your **Community Bank**<sup>®</sup> branch derive great personal satisfaction from the service we deliver to our clients in an era when service in banking had all but disappeared. It truly differentiates us, yet is surprisingly easy to deliver given the right attitude.

Small things make a big difference. Having a Branch Manager on site who is happy to meet clients and discuss their needs in detail is a rarity today. Giving clients and potential clients the phone numbers of the Branch Manager and individual staff is also uncommon. Being open 9.00 am to 5.00 pm every working day, plus Saturday morning, is a feature of our branch that the majors have still not emulated. But above all, it is the willingness to help, the smile, the "going the extra mile", simple care and thoughtfulness – these are the things that really make the difference. We may not be the biggest but in the things that really matter to our customers and community, we are 'Bigger than a bank'.

As we further establish our presence and reputation in the local community we trust that you, our shareholders, have visited the branch and spread the good word of our community focus and support as well as our ability to offer the full range of banking services. Experience this for yourself. Open an account, apply for a loan, or purchase your insurance. Come and see Brenda, Clive, Alexandra or me. And just to reinforce the point, feel free to contact me personally on 9416 6337 or 0434 730 976.

Lindfield staff: Warren Dwyer, Brenda Naylor,  
Alexandra Milford, Clive Onley

A stylized, handwritten signature in dark ink, likely belonging to Warren Dwyer.

Warren Dwyer  
Branch Manager  
Lindfield **Community Bank**<sup>®</sup> Branch



# Bendigo and Adelaide Bank report

The past year marked two very significant milestones for our **Community Bank**<sup>®</sup> network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**<sup>®</sup> network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**<sup>®</sup> network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**<sup>®</sup> branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**<sup>®</sup> network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**<sup>®</sup> branches – 305
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

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



In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank®** shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' report

Your directors submit the financial report of the company for the financial year ended 30 June 2014.

## Directors

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

### DIRECTOR'S DETAILS

#### **Dina Rebecca Teitler Coppel**

Strategy Consultant

B.Comm(Finance), LLB, GAICD

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



#### **Roman Zeno Tarnawsky**

Management Consultant

GAICD, Grad.Dip.Mgmt. Admin, Dip Mech Engineering,

Dip Civil Engineering

Roman has lived in Turramurra since 1980 and has been active in local resident groups and youth sailing programs. His 30 year career has provided experience in engineering, logistics and retail marketing, including franchising and business-to-business marketing.



#### **Nirmal Singh Hansra**

Non-executive Company Director

M.Comm(Business Management). FAICD, FCA, FCPA.

Nirmal brings to the company 35 years' executive experience in business management as CFO/Finance Director and 7 years' experience as a corporate advisor and independent director. Nirmal has considerable commercial, financial, audit and risk management skills, and strong business networks and contacts. In addition Nirmal speaks several Asian languages and adds multicultural understanding.

Finance & Audit Committee

Strategic Planning Committee



#### **David Andrew Langdon**

Retired

Finance & Audit Committee

Community Engagement Committee

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



#### **Ian Langford-Brown**

Chartered Accountant

Convenor, Finance & Audit Committee

Convenor, Governance & Risk Committee

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





#### DIRECTOR'S DETAILS

**Linda June McDonald**

Business Consultant  
BSc, AFAIM, FAITD

Linda has 15 years' experience consulting to medium to large businesses in executive coaching, leadership development and team development. She works from her home in Lindfield where she has lived for over 30 years. Until 1998, Linda held senior management roles in Human Resources and Human Resource & Organisation Development with large corporates in Australia and Canada. She is a Fellow and Life Member of the Australian Institute of Training & Development where she was recognised for her volunteer service over many years.

#### COMMITTEE RESPONSIBILITIES

Convenor, HR & Operations Committee

**Allan Peter Millard**

Management Consultant  
BE(Chem), MBA

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

Convenor, Community Engagement Committee

Convenor, Director Nomination Committee

Marketing Committee

**Christopher Bradley Williamson**

Marketing Agency Owner  
BCom (Economics and Business Law)

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

Convenor, Marketing Committee

Community Engagement Committee (YOs)

**David Lawrence Pegley**

BSc(Hons), MBA, FAICD, JP

David has had 15 years' experience in banking and financial services in Australia and New Zealand followed by 10 years in managed services, technology and logistics. He brings considerable experience and expertise in strategic and profitable business growth, stakeholder engagement, and change management in complex multi-party business and regulatory environments.

Strategic Planning Committee

**William Raymond Nevill** (*resigned 26 August 2013*)

Retired

**Monika Stelzner** (*resigned 27 August 2013*)

Accountant

BBus, MBA, CPA

Directors were in office for this entire year unless otherwise stated.

No director has material interests in contracts or proposed contracts with the company.

**Company Secretary**

The company secretary is Julie Fidler. Julie was appointed to the position of secretary at the first meeting of directors of the company on 11 December 2002. Julie has worked in business administration for over 30 years and is also a director and company secretary of Atlantic Gold NL, an Australian public company.

# Directors' report continued

## Principal activities

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

## Operating results

Revenue declined this year by \$131,000 or 6.5% to \$1.88 million due mainly to the impact of low interest rates on home loans and deposits and consequently on both margin and services income and interest income earned by the company. Expenses declined by \$106,000 through controlled expenditure on community engagement and reduction in overall administration expenses. This resulted in profit before tax reducing to \$39,600.

Despite these reductions, the company increased its total banking portfolio by 16% to \$307 million, customer base by 7.5% and net assets to \$1.44 million.

The profit of the company for the financial year after provision for income tax was \$28,483 (2013: \$42,343).

## Remuneration report

No director receives remuneration for services as a company director or committee member. There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity. There are therefore no specified executives whose remuneration requires disclosure.

## Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

## Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Indemnification and insurance of directors and officers

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

## Directors' meetings

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

	NUMBER OF BOARD MEETINGS		COMMUNITY ENGAGEMENT COMMITTEE	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Dina Rebecca Teitler Coppel	11	10	11	9
Roman Zeno Tarnawsky	11	11	11	6
Nirmal Singh Hansra	11	9	–	–
David Andrew Langdon	11	11	11	9
Ian Langford-Brown	11	8	–	–
Linda June McDonald	11	9	–	–
Allan Peter Millard	11	8	11	11
Christopher Bradley Williamson	11	11	7	4
David Lawrence Pegley ( <i>appointed 28 August 2013</i> )	10	9	–	–
William Raymond Nevill ( <i>resigned 26 August 2013</i> )	1	1	–	–
Monika Stelzner ( <i>resigned 27 August 2013</i> )	2	2	–	–

## Proceedings on behalf of the company

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

## Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the board of directors at Turramurra, New South Wales  
on 22 September 2014.



Dina Coppel  
Chairman



Ian Langford-Brown  
Director

# Auditor's independence declaration



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings  
Andrew Frewin Stewart  
61 Bull Street, Bendigo Vic 3550

Dated: 22 September 2014



# Statement of comprehensive income

## for the year ended 30 June 2014

	NOTES	2014 \$	2013 \$
Revenues from ordinary activities	4	1,875,881	2,007,049
Employee benefits expense		(934,535)	(866,180)
Charitable donations, sponsorships, advertising and promotion		(152,737)	(273,199)
Occupancy and associated costs		(276,106)	(271,523)
Systems costs		(180,888)	(172,078)
Depreciation and amortisation expense	5	(81,762)	(87,992)
Finance costs	5	(1,547)	(2,874)
General administration expenses		(208,706)	(268,248)
<b>Profit before income tax expense</b>		<b>39,600</b>	<b>64,955</b>
Income tax expense	6	(11,117)	(22,612)
<b>Profit after income tax expense</b>		<b>28,483</b>	<b>42,343</b>
<b>Total comprehensive income for the year</b>		<b>28,483</b>	<b>42,343</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company</b>		¢	¢
– basic earnings per share	22	1.27	1.88

The accompanying notes form part of these financial statements.

# Balance sheet

## as at 30 June 2014

	NOTES	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	966,267	869,119
Trade and other receivables	8	153,329	155,968
Current tax asset	11	10,534	62,534
<b>Total Current Assets</b>		<b>1,130,130</b>	<b>1,087,621</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	386,766	424,248
Intangible assets	10	120,867	56,581
Deferred tax assets	11	45,007	56,124
<b>Total Non-Current Assets</b>		<b>552,640</b>	<b>536,953</b>
<b>Total Assets</b>		<b>1,682,770</b>	<b>1,624,574</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	77,110	57,791
Borrowings	13	8,546	8,546
Provisions	14	102,390	108,550
<b>Total Current Liabilities</b>		<b>188,046</b>	<b>174,887</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	24,528	–
Borrowings	13	13,889	20,888
Provisions	14	19,955	20,930
<b>Total Non-Current Liabilities</b>		<b>58,372</b>	<b>41,818</b>
<b>Total Liabilities</b>		<b>246,418</b>	<b>216,705</b>
<b>Net Assets</b>		<b>1,436,352</b>	<b>1,407,869</b>
<b>EQUITY</b>			
Issued capital	15	1,258,525	1,258,525
Retained earnings	16	177,827	149,344
<b>Total Equity</b>		<b>1,436,352</b>	<b>1,407,869</b>

The accompanying notes form part of these financial statements.

# Statement of changes in equity

## for the year ended 30 June 2014

	ISSUED CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
<b>Balance at 1 July 2012</b>	<b>1,258,525</b>	<b>107,001</b>	<b>1,365,526</b>
Total comprehensive income for the year	–	42,343	42,343
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	–	–
<b>Balance at 30 June 2013</b>	<b>1,258,525</b>	<b>149,344</b>	<b>1,407,869</b>
<b>Balance at 1 July 2013</b>	<b>1,258,525</b>	<b>149,344</b>	<b>1,407,869</b>
Total comprehensive income for the year	–	28,483	28,483
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	–	–
<b>Balance at 30 June 2014</b>	<b>1,258,525</b>	<b>177,827</b>	<b>1,436,352</b>

The accompanying notes form part of these financial statements.

# Statement of cash flows

## for the year ended 30 June 2014

	NOTES	2014 \$	2013 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		2,035,662	2,166,824
Payments to suppliers and employees		(1,927,914)	(2,089,459)
Interest received		29,984	35,719
Interest paid		(1,547)	(2,874)
Income taxes refunded		68,002	-
Income taxes paid		(16,002)	(5,240)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>188,185</b>	<b>104,970</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(15,325)	(173,887)
Payments for intangible assets		(68,713)	-
<b>Net cash used in investing activities</b>		<b>(84,038)</b>	<b>(173,887)</b>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(6,999)	(11,702)
<b>Net cash used in financing activities</b>		<b>(6,999)</b>	<b>(11,702)</b>
<b>Net increase/(decrease) in cash held</b>		<b>97,148</b>	<b>(80,619)</b>
Cash and cash equivalents at the beginning of the financial year		869,119	949,738
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>966,267</b>	<b>869,119</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## for the year ended 30 June 2014

### 1 Summary of significant accounting policies

#### a) **Basis of preparation**

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

##### *Compliance with IFRS*

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

##### *Critical accounting estimates*

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

##### *Historical cost convention*

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

##### *Comparative figures*

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

##### *Adoption of new and revised Accounting Standards*

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

# Notes to the financial statements continued

## 1 Summary of significant accounting policies continued

### a) *Basis of preparation continued*

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

#### *Economic dependency – Bendigo and Adelaide Bank Limited*

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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 in relation to:

- advice and assistance in relation to the design, layout and fitout of the **Community Bank**<sup>®</sup> branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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



## **b) Revenue**

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

### *Revenue calculation*

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits. The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

## **c) Income tax**

### *Current tax*

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

### *Deferred tax*

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

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

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

# Notes to the financial statements continued

## 1 Summary of significant accounting policies continued

### c) **Income tax** *continued*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

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

### d) **Employee entitlements**

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

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

### e) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### f) **Trade receivables and payables**

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

### g) **Property, plant and equipment**

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

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

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

- leasehold improvements 10 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**k) Financial instruments**

*Recognition and initial measurement*

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

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

*Derecognition*

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

*Classification and Subsequent Measurement*

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

*Impairment*

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

# Notes to the financial statements continued

## 1 Summary of significant accounting policies continued

### **l) Leases**

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

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

### **m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

### **n) Contributed equity**

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **o) Earnings per share**

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

### **p) Goods and services tax**

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

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

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

## 2 Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

**(i) Market risk**

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

**(ii) Price risk**

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

**(iii) Credit risk**

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

**(iv) Liquidity risk**

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

**(v) Cash flow and fair value interest rate risk**

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

**(vi) Capital management**

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

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

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

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

### **3 Critical accounting estimates and judgements**

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

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

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

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

# Notes to the financial statements continued

## 3 Critical accounting estimates and judgements continued

### ***Taxation***

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

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

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

### ***Estimation of the useful lives of assets***

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

### ***Impairment of assets***

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

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

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

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



	2014	2013
	\$	\$
<b>4 Revenue from ordinary activities</b>		
<b>Operating activities:</b>		
– margin income	1,179,266	1,287,673
– services commissions	658,023	670,388
– other revenue	8,655	14,157
<b>Total revenue from operating activities</b>	<b>1,845,944</b>	<b>1,972,218</b>
<b>Non-operating activities:</b>		
– interest received	29,937	34,831
Total revenue from non-operating activities	29,937	34,831
<b>Total revenues from ordinary activities</b>	<b>1,875,881</b>	<b>2,007,049</b>
<b>5 Expenses</b>		
<b>Depreciation of non-current assets:</b>		
– motor vehicle	3,559	7,516
– furniture and equipment	5,845	5,995
– computer software	3,430	4,576
– leasehold improvements	39,972	40,133
<b>Amortisation of non-current assets:</b>		
– franchise agreement	4,210	4,295
– franchise renewal fee	24,746	25,477
	<b>81,762</b>	<b>87,992</b>
<b>Finance costs:</b>		
– interest paid	1,547	2,874
<b>Bad debts</b>	<b>291</b>	<b>103</b>

# Notes to the financial statements continued

	NOTE	2014 \$	2013 \$
<b>6 Income tax expense</b>			
The components of tax expense comprise:			
– Recoupment of prior year tax losses		14,723	–
– Future income tax benefit attributed to losses		–	(22,696)
– Movement in deferred tax		(3,606)	45,308
		<b>11,117</b>	<b>22,612</b>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
<b>Operating profit</b>		<b>39,600</b>	<b>64,955</b>
Prima facie tax on profit from ordinary activities at 30%		11,880	19,487
Add tax effect of:			
– non-deductible expenses		1,459	4,800
– timing difference expenses		3,606	(45,072)
– other deductible expenses		(2,222)	(1,911)
		<b>14,723</b>	<b>(22,696)</b>
Movement in deferred tax	11	(3,606)	45,308
		<b>11,117</b>	<b>22,612</b>
<b>7 Cash and cash equivalents</b>			
Cash at bank and on hand		116,452	91,404
Term deposits		849,815	777,715
		<b>966,267</b>	<b>869,119</b>
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:			
<b>7(a) Reconciliation of cash</b>			
Cash at bank and on hand		116,452	91,404
Term deposits		849,815	777,715
		<b>966,267</b>	<b>869,119</b>
<b>8 Trade and other receivables</b>			
Trade receivables		141,210	143,427
Other receivables and accruals		7,134	7,180
Prepayments		4,985	5,361
		<b>153,329</b>	<b>155,968</b>

	2014 \$	2013 \$
<b>9 Property, plant and equipment</b>		
<b>Office furniture and equipment</b>		
At cost	94,884	94,878
<b>Less accumulated depreciation</b>	<b>(40,622)</b>	<b>(31,705)</b>
	<b>54,262</b>	<b>63,173</b>
<b>Leasehold improvements</b>		
At cost	399,946	384,985
Less accumulated depreciation	(90,397)	(50,424)
	<b>309,549</b>	<b>334,561</b>
<b>Motor vehicle</b>		
At cost	28,474	28,474
Less accumulated depreciation	(5,519)	(1,960)
	<b>22,955</b>	<b>26,514</b>
<b>Total written down amount</b>	<b>386,766</b>	<b>424,248</b>
<b>Movements in carrying amounts:</b>		
<i>Office furniture and equipment</i>		
Carrying amount at beginning	63,173	68,332
Additions	364	13,196
Disposals	-	(7,703)
Less: depreciation expense	(9,275)	(10,652)
<b>Carrying amount at end</b>	<b>54,262</b>	<b>63,173</b>
<i>Leasehold improvements</i>		
Carrying amount at beginning	334,561	221,488
Additions	14,960	155,025
Disposals	-	(1,820)
Less: depreciation expense	(39,972)	(40,132)
<b>Carrying amount at end</b>	<b>309,549</b>	<b>334,561</b>
<i>Motor vehicle</i>		
Carrying amount at beginning	26,514	42,605
Additions	-	28,474
Disposals	-	(37,049)
Less: depreciation expense	(3,559)	(7,516)
<b>Carrying amount at end</b>	<b>22,955</b>	<b>26,514</b>
<b>Total written down amount</b>	<b>386,766</b>	<b>424,248</b>

# Notes to the financial statements continued

2014	2013
\$	\$

## 10 Intangible assets

### Franchise fee

At cost	95,996	81,477
Less: accumulated amortisation	(78,421)	(74,212)
	<b>17,575</b>	<b>7,265</b>

### Establishment/renewal processing fee

At cost	206,107	127,385
Less: accumulated amortisation	(102,815)	(78,069)
	<b>103,292</b>	<b>49,316</b>

<b>Total written down amount</b>	<b>120,867</b>	<b>56,581</b>
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## 11 Tax

### Current:

Income tax refundable	10,534	62,534
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### Non-current:

#### Deferred tax asset

– Accruals	2,730	2,505
– Employee provisions	26,354	28,314
– Tax losses carried forward	7,972	22,695
– Property, plant and equipment	11,287	6,072
	<b>48,343</b>	<b>59,586</b>

#### Deferred tax liability

– Accruals	1,840	1,854
– Deductible prepayments	1,496	1,608
	<b>3,336</b>	<b>3,462</b>

<b>Net deferred tax asset</b>	<b>45,007</b>	<b>56,124</b>
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### Movement in deferred tax charged to statement of comprehensive income

<b>11,117</b>	<b>45,308</b>
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## 12 Trade and other payables

### Current:

Trade creditors	54,432	48,214
Other creditors and accruals	22,678	9,577
	<b>77,110</b>	<b>57,791</b>

### Non-current:

Other creditors and accruals	24,528	–
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	NOTE	2014 \$	2013 \$
<b>13 Borrowings</b>			
<b>Current:</b>			
Lease liability	18	8,546	8,546
<b>Non-current:</b>			
Lease liability	18	13,889	20,888
<b>14 Provisions</b>			
<b>Current:</b>			
Provision for annual leave		56,000	43,310
Provision for long service leave		11,890	30,140
Provision for annual bonus		34,500	35,100
		<b>102,390</b>	<b>108,550</b>
<b>Non-Current:</b>			
Provision for long service leave		19,955	20,930
<b>15 Contributed equity</b>			
2,251,085 ordinary shares fully paid (2012: 2,251,085)		1,326,925	1,326,925
Less: equity raising expenses (Turramurra)		(40,196)	(40,196)
Less: equity raising expenses (Lindfield)		(28,204)	(28,204)
		<b>1,258,525</b>	<b>1,258,525</b>

## **Rights attached to shares**

### **(a) Voting Rights**

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

# Notes to the financial statements continued

## 15 Contributed equity continued

### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

### (c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

### Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- they control or own 10% or more of the shares in the company (the '10% limit').
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the 'close connection test').
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the 'base number test'). The base number is 343. As at the date of this report, the company had 518 shareholders.

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

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

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

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

	2014	2013
	\$	\$
<b>16 Retained earnings</b>		
Balance at the beginning of the financial year	149,344	107,001
Net profit from ordinary activities after income tax	28,483	42,343
<b>Balance at the end of the financial year</b>	<b>177,827</b>	<b>149,344</b>

## 17 Statement of cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax 28,483 42,343

### Non cash items:

– depreciation 52,806 58,220  
– amortisation 28,956 29,772  
– loss on disposal of non-current assets – 23,845

### Changes in assets and liabilities:

– (increase)/decrease in receivables 2,639 (2,626)  
– (increase)/decrease in current tax assets 52,000 (5,242)  
– (increase)/decrease in deferred tax assets 11,117 22,614  
– increase/(decrease) in payables 19,319 (72,886)  
– increase/(decrease) in provisions (7,135) 8,930

**Net cashflows provided by operating activities 188,185 104,970**

## 18 Leases

### Finance lease commitments

Payable – minimum lease payments

– not later than 12 months 8,546 8,546  
– between 12 months and 5 years 15,422 23,968  
– greater than 5 years – –

Minimum lease payments 23,968 32,514

Less future finance charges (1,533) (3,080)

**Present value of minimum lease payments 22,435 29,434**

The hire purchase of a motor vehicle, which commenced in December 2012, is a three year hire purchase.

Interest is recognised at an average rate of 5.80%.

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments

– not later than 12 months 224,250 131,000  
– between 12 months and 5 years 526,450 49,000  
– greater than 5 years – –

**750,700 180,000**

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

# Notes to the financial statements continued

2014	2013
\$	\$

## 19 Auditors' remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	7,700	7,210
- tax services	450	450
- non-audit services	950	1,265
	<b>9,100</b>	<b>8,925</b>

## 20 Director and related party disclosures

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Transactions with related parties

Christopher Williamson is a director of Like a Boss Group Pty Ltd which provided website design, website hosting and graphic design services to the company during the financial year to the value of \$nil (2013: \$2,603).

### Directors' shareholdings

	NO.	NO.
Dina Rebecca Teitler Coppel	-	-
Roman Zeno Tarnawsky	2,000	2,000
Nirmal Singh Hansra	-	-
David Andrew Langdon	30,002	30,002
Ian Langford-Brown	3,000	3,000
Linda June McDonald	6,000	6,000
Allan Peter Millard	1,000	1,000
Christopher Bradley Williamson	-	-
David Lawrence Pegley ( <i>appointed 28 August 2013</i> )	-	-
William Raymond Nevill ( <i>resigned 26 August 2013</i> )	1,000	1,000
Monika Stelzner ( <i>resigned 27 August 2013</i> )	10,000	10,000



2014	2013
\$	\$

## 21 Dividends paid or provided

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

### a) Franking account balance

Franking credits available for subsequent reporting periods are:

– franking account balance as at the end of the financial year	21(b)	180,651	232,651
– franking debits that will arise from refund of income tax payable as at the end of the financial year		(10,534)	(62,534)
– franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year		–	–

Franking credits available for future financial reporting periods:		170,117	170,117
– franking debits that will arise from the payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period		–	–

<b>Net franking credits available</b>		<b>170,117</b>	<b>170,117</b>
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### b) Reconciliation of franking account balance

Reconciliation of franking account balance as at the end of the financial year

Opening balance		232,651	227,408
– franking credits from the payment of income tax instalment during the year		16,002	89,503
– franking debits from the refund of income tax following lodgement of income tax return		(68,002)	(84,260)
– franking debits from the payment of fully franked dividends		–	–

<b>Closing balance</b>		<b>180,651</b>	<b>232,651</b>
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## 22 Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share

28,483	42,343
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NO.	NO.
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(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

2,251,085	2,251,085
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## 23 Events occurring after the balance sheet date

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

# Notes to the financial statements continued

## 24 Contingent liabilities

In 2012-13 the company entered into a heads of agreement to sponsor the purchase of a motor vehicle for the Ku-ring-gai Community Workshop 'The Shed' Inc. Under the agreement the company will be responsible for the repayments of the motor vehicle finance, consisting of 48 monthly instalments of \$434.02, totalling \$20,832.96. Repayments commenced in October 2012.

In the event that 'The Shed' ceases to operate during the term of the finance arrangements (48 months):

- the company's financial support for the vehicle will cease immediately, with no further obligations to 'The Shed' in respect of the motor vehicle from that date.
- the company will assume ownership of the motor vehicle immediately.

In the event that 'The Shed' disposes of the motor vehicle during the term of the finance arrangements (48 months):

- the company's financial support for the vehicle will cease immediately, with no further obligations to 'The Shed' or the purchaser in respect of the motor vehicle.

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

## 25 Segment reporting

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

## 26 Registered office/Principal place of business

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

The registered office and principal place of business is:

### Registered office

1273 Pacific Highway  
Turrumurra NSW 2074

### Principal place of business

1273 Pacific Highway  
Turrumurra NSW 2074

## 27 Financial instruments

### Financial instrument composition and maturity analysis

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

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN						NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS					
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets												
Cash and cash equivalents	116,052	91,004	849,815	777,715	-	-	-	-	400	400	3.43	3.83
Receivables	-	-	-	-	-	-	-	-	141,210	143,427	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	8,546	8,546	13,889	20,888	-	-	-	-	5.80	7.01
Payables	-	-	-	-	-	-	-	-	54,432	43,214	N/A	N/A

**Net fair values**

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

**Credit risk**

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

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

**Interest rate risk**

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

**Sensitivity analysis**

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

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant, would be as follows:

	2014	2013
	\$	\$
Change in profit:		
Increase in interest rate by 1%	9,434	8,393
Decrease in interest rate by 1%	(9,434)	(8,393)
Change in equity:		
Increase in interest rate by 1%	9,434	8,393
Decrease in interest rate by 1%	(9,434)	(8,393)

# Directors' declaration

In accordance with a resolution of the directors of Ku-ring-gai Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 *Related Party Disclosures* and the Corporations Regulations 2001.

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



**Dina Coppel**  
Chairman



**Ian Langford-Brown**  
Director

Signed on 22 September 2014

# Independent audit report

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



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

#### Report on the financial report

I have audited the accompanying financial report of Ku-ring-gai Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### Directors' responsibility for the financial report

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

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my 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, I consider internal controls relevant to the entity's preparation and 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.

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

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

[afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au)

[www.afsbendigo.com.au](http://www.afsbendigo.com.au)

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# Independent audit report continued

## Independence

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

## Auditor's opinion on the financial report

In my opinion:

1. The financial report of Ku-ring-gai Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Ku-ring-gai Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



**David Hutchings**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 22 September 2014





Franchisee: Ku-ring-gai Financial Services Limited  
PO Box 430 Turramurra NSW 2074

[www.kfsl.com.au](http://www.kfsl.com.au)

**ABN 56 103 129 184**

Turramurra **Community Bank**<sup>®</sup> Branch  
1273 Pacific Highway Turramurra NSW 2074  
Ph 02 9488 9496 Fax 02 9488 8193

[www.turramurracommunitybank.com.au](http://www.turramurracommunitybank.com.au)

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