

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2019

Turramurra and Lindfield
Community Bank branches



KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2019

Contents

Chairman's Report	3
Branch Manager's Report	8
Community Engagement Report	9
Bendigo & Adelaide Bank Report.....	10
Directors' Report.....	11
Auditor's Independence Declaration	17
Statement of Profit & Loss and Other Comprehensive Income	18
Balance Sheet.....	19
Statement of Changes in Equity.....	20
Statement Cash Flows.....	21
Notes to the financial statements	22
Directors' Declaration	45
Independent Auditor's Report	46

Chairman's Report

It is my pleasure as the Chairman of Ku-ring-gai Financial Services Limited to report on the company's progress during the year ended 30 June 2019.

The company continued to produce solid financial results despite the continuation, and even deepening, of the low interest rate environment, tight credit conditions and slowdown in the housing market. These factors were compounded by the negative industry sentiment stemming from the Banking Royal Commission findings and final recommendations. The company has focused in financial year 2019 ("FY19") on further strengthening our engagement with the community and building brand awareness throughout Ku-ring-gai. The financial results reflect a record level of community investment as well as a further increase in the dividend paid to shareholders. Importantly, the focus in FY19 is bearing fruit for the company in terms of business flow, with a strong end to FY19 continuing into the current financial year. A further positive factor has been greater business opportunities stemming from potential customers looking at alternatives to the four major banks to provide their banking needs.

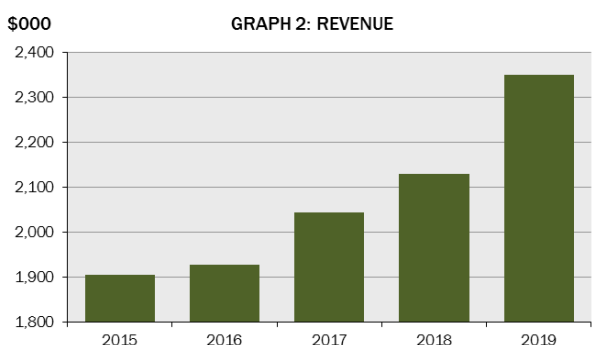
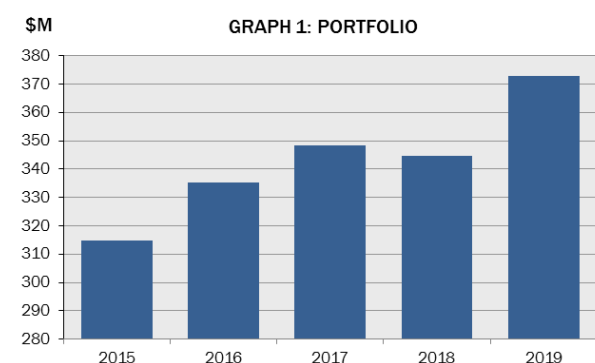


With a very healthy cash position, the company has looked at several growth opportunities during the year but to date the business case has not yet supported investment. The company has though invested in people, marketing and community engagement as part of its overall growth strategy. The company remains committed to pursuing appropriate growth strategies as well as building on our already strong community network.

There have been a few Board movements during the year. During the year Vera Fiala resigned from the Board after several years of valuable service and Michael Prior joined the Board for a short period between November 2018 and June 2019. During the year we have been fortunate to add Himal Randeniya and Adrian Fong to the Board and in July 2019 also appointed Amanda Descoeudres. All three appointments were made after an initial period of several months as Board Observers. These three new Directors bring a variety of much valued marketing, commercial, legal and finance skills to the Board.

The staff at KFSL continue to do amazing things and on behalf of the Board I would like to once again say a big thank you to our Branch Manager, Dean Castell, and his team for their commitment and excellent work throughout the year. I would also like to express my gratitude to all my Board colleagues and our Company Secretaries for their commitment and significant contribution to the company during the year.

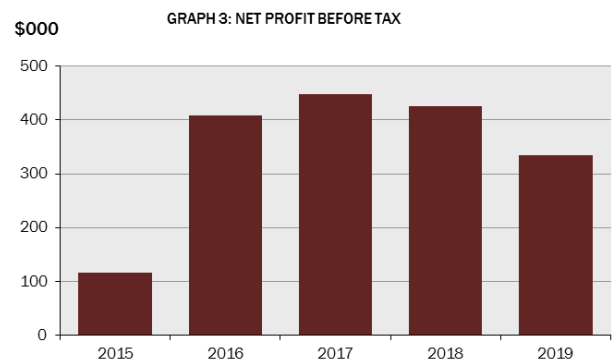
The company is also indebted to the strong relationship we have with Bendigo and Adelaide Bank ("the bank"). There have been several changes in our key contacts at the bank during the year, but one constant has been John Carvin and I would like to particularly thank John for his support and guidance.



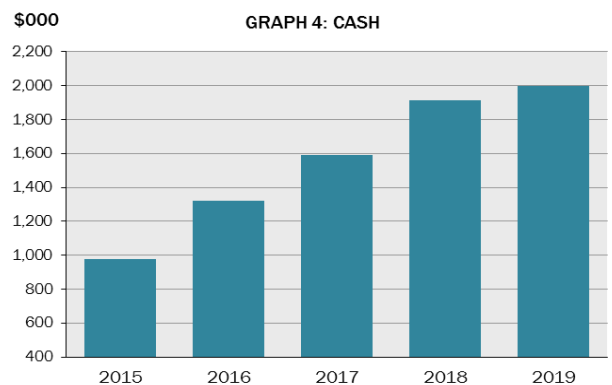
Operating results

The company's financial results cover the operations of the Turramurra and Lindfield Community Bank branches. At 30 June 2019, the company banking business portfolio was \$373 million, an 8% increase on last year (see Graph 1). This increase was driven by both a \$20 million increase in total deposits and an \$8 million increase in loans. Consequently, revenue increased 10% to \$2.35 million (see Graph 2). Customer numbers rose by 2% to 5,340. Given the challenging market conditions, including continuation by customers of using the low interest rate environment to pay more down on their loans, the company believes this is a very good result.

Net profit before tax of \$334,734 and net profit after tax of \$240,847 were down 22% on the prior year (see Graph 3). The reduction in profit despite a growth in revenue was due to several factors. We hired an additional member of staff to build bench strength and capability and to resource growth plans for the business. We also devoted additional funds compared to the prior year for marketing and community engagement as a specific initiative to develop brand awareness and presence to promote future business growth.



The company's balance sheet remains strong, with year-end cash reserves of \$2.0 million up from \$1.91 million last year (see Graph 4).



Hornsby Women's Shelter Double the Donation Final Result



Staff Grants Group

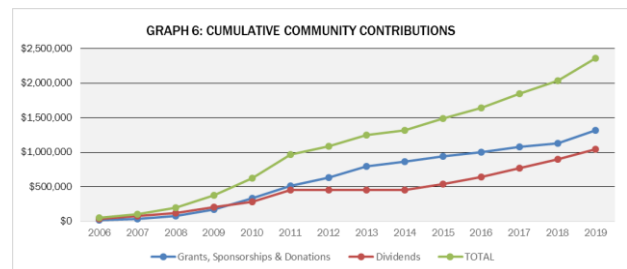
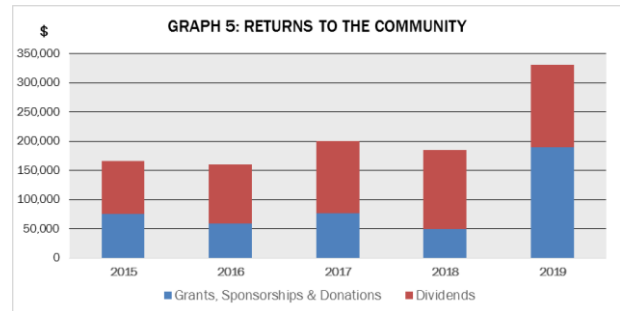
Shareholder dividend

In consideration of the strong trading results, the Directors paid during the year a fully franked dividend of 6.25 cents per share (prior year 6.0 cents per share). This is the highest dividend paid since the opening of the Lindfield Community Bank Branch and represents 46% of prior year profit after tax.

Community engagement

FY19 was a significant year for the company's community engagement that saw not only the company provide record levels of direct community support but also using its far-reaching community network to enhance community outcomes. The net proceeds from the Ku-ring-gai monopoly project of \$84,227, being total sponsorship received and game sales revenue less costs of producing the game, was all donated back to the community. During the year the company has successfully developed the concept of match funding to support community outcomes and in both cases the community support has far exceeded the matched funding pledge from the company. \$20,750 (KFSL \$3,000) was donated to Rural Aid for farmers drought relief and \$47,482 (KFSL \$20,000) was donated to the Hornsby Ku-ring-gai Women's Shelter.

These initiatives as well as other community support during the year, brings the cumulative contributions to local community groups, including shareholders, since the company's inception to \$2.3 million (see Graphs 5 & 6). Further details of the company's community activities are provided in the Community Report from our Community Development Manager, Sharon Franke.



Volunteering – Meals on Wheels



Share the Load - Group



Funds raised for Rural
Aid in support of our
farmers

Outlook

It looks more likely that Australia has yet to see the bottom of the interest rate cycle and GDP growth has slowed considerably suggesting this year will be another challenging year for the business. However, the company has begun the year positively with a good level of portfolio growth and a robust lending pipeline.

This business flow is a healthy indicator of the strength of our community network and engagement and we are optimistic the company can continue to build on this strength throughout the next year. The company will also continue to be alert to investment opportunities while being disciplined in ensuring any investment has an appropriate business case and expected return.

Conclusion

Despite the ongoing challenges in the business environment, the company is healthy, growing and looking for investment opportunities. Particularly pleasing this year has been our engagement and

impact to the community in social and economic terms as well as providing a strong return to shareholders. Our staff and the Board are highly engaged in serving our community and customers and enter the new year with enthusiasm on the company's momentum and opportunities.

Lastly, I would like to thank our more than 500 shareholders for your continued support of the Community Bank model in Ku-ring-gai. Your continued support as advocates of our Community Bank branches remains vital in ensuring our continued success. I look forward to seeing as many shareholders as possible at our 17th Annual General Meeting, which will be conducted at the Lindfield Community Bank Branch on Wednesday 13th November 2019 commencing at 7:00 pm.

Alan Bardwell
Chairman

Branch Manager's Report

Once again it is my privilege to reflect on the past 12 months of our business achievements.

Despite the Royal Commission fallout continuing this year we have seen our book grow by 8% / \$28m in net business increasing our total portfolio to \$373m compared to \$345m in FY18. The FY19 growth consisted of \$8m in lending and \$16m in deposits plus \$4m in 'other business'.

As a further comparison between FY18 and FY19, lending growth increased from -\$1m in FY18 to \$8m in FY19, not only by the increased number of settlements but with a reduction in discharges from \$15m in FY18 to \$12m in FY19, which is interestingly the lowest rate of discharges since FY14. In my last two Annual Reports I identified the increasing number of discharges as a contributing factor to our lower than expected lending growth, however this trend seems to have turned a corner and I am optimistic it will continue into FY20.

We have also had a great year connecting with the community with some of the biggest initiatives to date:

Together with the community we raised \$20,750 for Rural Aid to help the farmers. In addition to the funds raised we also collected 30+ large tote bags of non-perishable foods, which my wife and I along with Brenda Naylor (our experienced lender) and her husband Chris (who also works at Bendigo Bank) delivered to the Eurimbla farming community who are doing it very tough. It was an experience that I am sure all involved will never forget.

We produced the Ku-ring-gai edition of Monopoly. It was supported by the Ku-ring-gai Council and 7 local businesses all wanting to raise as much money for the community as possible. We sold 2,000 games of Monopoly in less than 5 months that raised \$84,227 profit, of which 100% has been distributed back into our community. The four main beneficiaries, Hornsby Ku-ring-gai Women's Shelter, St Lucy's School, KYDS Youth Development Service and Lifeline Harbour to Hawkesbury each received \$15,000 with the



remaining profits shared between local schools and 10 other community organisations.

'Double the Donation' raised much-needed funds for the Hornsby Ku-ring-gai Women's Shelter, where we matched up to \$20,000 of community raised donations, bringing the final total to \$47,482. This was a fantastic result for such a worthwhile cause.

We are very pleased with what we have accomplished with the community this year and have already started planning our FY20 community initiatives. To keep up-to-date with our plans please go to www.tlcbb.com.au where you can also subscribe to our monthly electronic Community Newsletter.

To all staff, a big thank you for all of your brilliant work this year, I really do consider myself very lucky to be a part of this team. I would also like to acknowledge and thank all our shareholders and the volunteer Board of Directors. I am looking forward to the continued growth of the branches in FY20 to enable more funding for community groups and to further reward shareholders.

Dean Castell

Branch Manager

Community Engagement Report

The focus of Community Engagement remains to operate a shared model that looks to generate long-term sustainable value for both our community and shareholders. The board of Ku-ring-gai Financial Services Limited ('KFSL') manages this through the Community Engagement committee, whose primary role is to influence positive change through both the distribution of funds and acting as a facilitator in co-ordinating community engagement, thereby enabling KFSL to fulfil its objectives in the following areas:

- Enhancing the visibility of KFSL within the community and encouraging KFSL to be recognised as a voice of the community;
- To maintain an ongoing mutually beneficial relationship between our community and KFSL;
- Providing a return to KFSL on its investment in the community by increasing its customer base and level of banking business.

During financial year ending 30 June 2019, KFSL contributed \$61,805 to the local community in the form of grants, donations and sponsorships. However, we were able to increase this figure to \$190,324 via programs such as the creation of the Ku-ring-gai edition of Monopoly, spoken about in more detail in Dean Castell's report, and dollar matching for both Rural Aid and the Hornsby Ku-ring-gai Women's Shelter.

We provided financial support to 58 community groups, including 6 local schools and 13 sporting clubs during the year. While we have continued to provide sponsorship to a number of local community organisations our main focus has moved towards using our connections within the community to enhance the support we can provide via introductions between groups, projects such as Monopoly and dollar matching, and using our branch as a hub for community collections. In this way we can create an improved outcome for the community.



Our three large projects, Ku-ring-gai edition of Monopoly, 'Double the Donation' for the Hornsby Ku-ring-gai Women's Shelter and supporting our farmers via Rural Aid kept us very busy and we have dynamic staff who thrive on being involved in all these activities. Our Staff Grants Program, an annual favourite that involves each staff member choosing a community group to receive a \$500 grant, was once again a highlight of the year. For the second year we ran a collection of football boots for 'Their Beautiful Game' together with 6 local football clubs. This year in excess of 180 pairs of boots, double the number collected in 2018, were dropped off to our branches. These boots were distributed by 'Their Beautiful Game' to remote communities in the Northern Territory and as far away as Ghana.

During the year our staff and directors have attended many community events and given hours of their own time to support the Ku-ring-gai community. We are now also supporting the community in a hands-on way with the introduction of our volunteer program. This program allows staff to volunteer on a monthly basis deepening our relationships with local community groups and providing a great level of personal satisfaction to the individual staff members involved.

Sharon Franke

Community Development Manager

Bendigo & Adelaide Bank Report for the year ended 30 June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

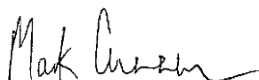
Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank Branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen

**Head of Community Support
Bendigo and Adelaide Bank**

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

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

Alan James Bardwell

Chair

Occupation: Non-executive Director and Consultant

Qualifications, experience and expertise: BA(Hons), CA, SFFin, GAICD. Alan has 35 years' experience in the banking and finance industry including 16 years with Citigroup and 10 years at ASX Limited. Alan is Chairman of RT Health Ltd and non-executive director of Transport Health Ltd, Australian Military Bank and the Financial Services Institute of Australasia. Alan is also a consultant for The Risk Board and is Chairman of the Market Supervision and Compliance Committee at the Sydney Stock exchange. Alan was appointed Chairman of Ku-ring-gai Financial Services Ltd in November 2016. Alan has enjoyed strong associations with local Scouts, football and bushcare groups.

Special responsibilities: Convenor of Strategic Planning Committee

Interest in shares: 1,000



Roman Zeno Tarnawsky

Deputy Chair

Occupation: Management Consultant

Qualifications, experience and expertise: GAICD, Grad.Dip.Mgmt. Admin, Dip Mechanical Engineering, Dip Civil Engineering. Roman has lived in Turrumurra since 1980 and has been active in local resident groups and youth sailing programs. His 30 year career has provided experience in engineering, logistics and retail marketing, including franchising and business-to-business marketing. Roman was appointed Vice Chairman on 1 July 2014. Other current directorships include Berowra & District Financial Services Limited.

Special responsibilities: Member of HR & Operations, Finance & Audit, Community Engagement, Marketing and Strategic Planning Committees.

Interest in shares: 2,000



Sara Adams

Director

Occupation: Retired

Qualifications, experience and expertise: GAICD. Sara has had over 24 years' experience in the ICT industry with expertise in sales, marketing and distribution channels. Sara is active in her local sporting clubs.

Special responsibilities: Chair of Community Engagement Committee. Member of HR & Operations and Strategic Planning Committees.

Interest in shares: Nil



John Gallu

Director

Occupation: Business Consultant, Executive Coach, Advisory Board Member.

Qualifications, experience and expertise: BCom, FAICD. John has had 16+ years' Banking and Insurance experience with expertise in Asset Finance, Margin Lending, Retail and Private Banking, Financial Planning and Wealth Management prior to operating his own consultancy business. John has connections in several local sporting and community groups.

Special responsibilities: Member of Marketing Committee

Interest in shares: Nil



Nirmal Singh Hansra

Director (Resigned 15 November 2018)

Occupation: Non-executive Company Director

Qualifications, experience and expertise: Non-executive company director. M.Comm (Business Management). FAICD, FCA, FCPA. Nirmal brings to the company 35 years' experience in business management as CFO/Finance Director and 12 years' experience as a corporate advisor and independent director. Nirmal has considerable commercial, financial, audit and risk management skills, and strong business networks and contacts. In addition Nirmal speaks several Asian languages and adds multicultural understanding. He has lived in Killara since 1979 and has taken a keen interest in local schools and sporting clubs. Other current directorships include Eureka Group Holdings Ltd, Campbell Page Group Ltd, Campbell Page Ltd, Children's Tumour Foundation of Australia Ltd and Have A Voice Pty Ltd.

Special responsibilities: Chair of Finance and Audit Committee. *Interest in shares:* Nil



Linda June McDonald

Director

Occupation: Executive Coach

Qualifications, experience and expertise: BSc, AFIML, FAITD. Linda has 20 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. Prior to her consulting career she held senior management roles in human resources and human resource and 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. She is President of Support Lindfield, a local community group lobbying for a community hub in Lindfield. She is Vice President of the North Shore Rowing Club, volunteers at Lifeline as a Financial Counsellor and is a keen rower and cyclist.

Special responsibilities: Chair of HR Committee

Interest in shares: 6,000

**Christopher Bradley Williamson**

Director

Occupation: Marketing Agency Owner

Qualifications, experience and expertise: BCom. 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.

Special responsibilities: Member of Marketing, Community Engagement and Governance & Risk Committees.

Interest in shares: Nil

**Rowenna Margaret Allabush**

Director

Occupation: Civil Engineer

Qualifications, experience and expertise: BEng(Hons), CEng, MICE, GAICD Rowenna has over 20 years in the engineering industry, bringing experience in operational and people management including P&L responsibility, business development and marketing as well as strategy development and execution. Rowenna currently lives in Pymble and previously Roseville. She is involved locally, participating in local schools, sports and volunteer organisations.

Special responsibilities: Chair of Marketing Committee. Member of Community Engagement Committee.

Interest in shares: Nil

**Vera Fiala**

Director (Resigned 27 May 2019)

Occupation: Director

Qualifications, experience and expertise: BEng(Hons), MEnvEngSci, GradDipBusAdmin, GAICD Vera has been a senior executive with 25 years international expertise in healthcare, natural resource management, primary industries, shared services and public administration. She is now a consultant, helping for-purpose organisations run more effectively. She also runs her own creative business and is active in the local community through sporting clubs and mental health organisations.

Special responsibilities: Chair of Governance and Risk Committee, Member of Finance & Audit Committee.

Interest in shares: Nil

**Adrian Gordon Fong**

Director (Appointed 27 May 2019)

Occupation: Principal Lawyer and Legal Director

Qualifications, experience and expertise: B Com, LLB, LLM, Legal Practitioner of the Supreme Court of NSW, Practising Principal Member of Law Society of NSW, Member of NSW Chamber of Commerce. Adrian resides in St Ives and is involved with local sporting clubs and community groups. He has practised as a commercial lawyer for over 20 years, and was previously a corporate and commercial partner for a large national law firm. Adrian is now the principal of his own corporate and commercial legal practice based in Sydney. He specialises in business acquisitions and divestments, franchise law, finance, corporate governance and corporate restructures, and distribution and consumer law.

Special responsibilities: Nil

Interest in shares: Nil



Himal Suneth Randeniya

Director (Appointed 26 November 2018)

Occupation: Managing Director - Future Stars Early Learning

Qualifications, experience and expertise: Himal is a Director of Future Starts Early Learning Centres. His life's purpose is helping shape an extraordinary system of education that creates a powerful future for all children and students. After graduating with a Bachelor of Science and Bachelor of Law from University of Sydney, Himal started his life as a management consultant with a particular focus in Communications, Media and Telecommunications. Among Himal's other accomplishments, he has been chosen to represent Australia as part of the G20 delegation and is also a Non-Executive Director on the Board of Workflows, Live Well Developments, and the Early Education Company. After successfully exiting his first technology company, Project Academy, in 2013, Himal is now a mentor to various high-growth technology start-ups through the Blackbird's Startmate program and is actively involved in the Australian start up ecosystem.

Special responsibilities: Community Engagement Committee.

Interest in shares: Nil

**Amanda Faith Descoeudres**

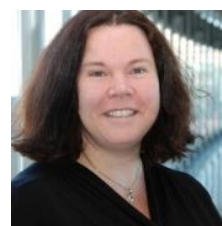
Director (Appointed 22 July 2019)

Occupation: Chartered Accountant

Qualifications, experience and expertise: Amanda has a Bachelor of Commerce and Bachelor Arts (Asian Studies) from the Australian National University, and is a Chartered Accountant and Graduate of The Australian Institute of Company Directors. Amanda has over 20 years' experience working both in professional services and a variety of corporate roles, including most recently as Group Financial Controller of Origin Energy Limited. She has a broad range of commercial experience having spent 12 years working in the Deals team at PwC. During this time she was involved in a range of strategic transactions from mergers and acquisitions to IPOs, restructuring and refinancing engagements. Amanda has lived in the Ku-ring-gai area since 2007 and is active in the local community, including as Treasurer of the 2nd Gordon Scout Group.

Special responsibilities: NIL

Interest in shares: Nil

**Michael Paul Prior**

Director (Appointed 26 November 2018, Resigned 24 June 2019)

Occupation: Chartered Accountant

Qualifications, experience and expertise: M Comm, Grad Dip (Applied Finance), Cert (Applied Tax), CA, CPA, CTA, MAICD. Michael is the Principal of PB Accountants & Advisors. Michael holds a Master of Commerce Degree from the University of NSW, a Graduate Diploma of Applied Finance and a Certificate of Applied Taxation. He's a Chartered Accountant as well as a Certified Practising Accountant, Chartered Tax Advisor, Registered ASIC Agent and a member of the Institute of Company Directors. Michael has held senior finance roles with large corporate entities such as Divisional CFO at Westpac and CFO Asia Pacific at CMC Markets. He's also spent time in Asia and Australia as a management consultant helping a variety of businesses to review and improve their operations. Michael is also a Director of Moneyspot Investments Limited a private funds manager as well as a director of Woods Cottage Foundation, a group home for intellectually disabled young adults based in Lindfield NSW.

Prior to his current directorships Michael was a director for 11 and half years (before retiring) of Private Health Insurer RT Health Fund Limited. He was also the Chair of RT Health's Audit and Risk Committee and a member of their Governance, Remuneration and Nominations Committee.

Special responsibilities: Chair, Finance Committee

Interest in shares: Nil



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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The Company Secretary is Ian John Greentree. Ian was appointed to this position on 30 April 2018. Qualifications, experience and expertise: Diploma of Law, Associate Diploma Accounting, Retired Solicitor, Accountant and Company Secretary. Ian worked within the Banking and Financial Services, Automotive and Health Industries. He currently works in the equipment hire and road safety sectors. He is also a Director and Company Secretary of Harbord Financial Services Limited and Company Secretary of Berowra & District Financial Services Limited and North Ryde Community Finance Limited.

Interest in Shares Nil.



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

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$240,847 (2018: 308,440)

	Year ended 30 June 2019	
Dividends	Cents	\$
Dividends paid in the year	6.25	140,693

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.

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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 to the financial statements.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the branch manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or branch manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended	Committee Meetings Attended										
		Finance & Audit		HR & Operations		Marketing		Community Engagement		Governance & Risk		
		A	B	A	B	A	B	A	B	A	B	
Alan James Bardwell	11	11	-	-	-	-	-	-	-	-	2	1
Roman Zeno Tarnawsky	11	10	5	3	4	4	10	7	11	3	-	-
Sara Adams	11	8	-	-	4	4	-	-	11	11	-	-
John Gallu	11	8	-	-	-	-	10	9	-	-	-	-
Linda June McDonald	11	9	-	-	4	4	-	-	-	-	-	-
Christopher Bradley Williamson	11	7	-	-	-	-	10	2	11	-	2	2
Rowenna Margaret Allabush	11	11	-	-	-	-	10	9	11	8	-	-
Himal Randeniya 1	7	6	-	-	-	-	-	-	6	5	1	1
Adrian Gordon Fong 2	2	2	-	-	-	-	-	-	-	-	-	-
Amanda Faith Descoeudres 3	-	-	-	-	-	-	-	-	-	-	-	-
Michael Prior 4	7	5	3	3	-	-	-	-	-	-	-	-
Vera Fiala 5	7	7	3	3	-	-	-	-	-	-	2	2
Nirmal Singh Hansra 6	4	4	2	2	-	-	-	-	-	-	-	-

A - eligible to attend

B - number attended

1 (Appointed 26 November 2018)

2 (Appointed 27 May 2019)

3 (Appointed 22 July 2019)

4 (Appointed 26 November 2018,
Resigned 24 June 2019)

5 (Resigned 27 May 2019)

6 (Resigned 15 November 2018)

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, in accordance with the advice received from the finance and audit committee 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 finance and audit committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine 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 17.

Signed in accordance with a resolution of the board of directors at Lindfield, New South Wales on 24 September 2019.



Alan James Bardwell, Chair

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

As lead auditor for the audit of Ku-ring-gai Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 2019

Joshua Griffin
Lead Auditor

Statement of Profit & Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	2,331,638	2,131,224
Gross profit from trading	5	21,045	-
Employee benefits expense		(1,111,240)	(991,630)
Charitable donations, sponsorship, advertising and promotion		(256,805)	(102,880)
Occupancy and associated costs		(279,312)	(267,685)
Systems costs		(101,185)	(101,992)
Depreciation and amortisation expense	6	(72,883)	(71,170)
General administration expenses		(196,524)	(170,373)
Profit before income tax expense		334,734	425,494
Income tax expense	7	(93,887)	(117,054)
Profit after income tax expense		240,847	308,440
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		240,847	308,440
Earnings per share		¢	¢
Basic earnings per share	24	10.70	13.70

Balance Sheet

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	1,997,972	1,916,982
Trade and other receivables	9	200,963	199,953
Inventory	10	-	48,500
Total current assets		2,198,935	2,165,435
Non-current assets			
Property, plant and equipment	11	152,699	190,793
Intangible assets	12	113,551	7,911
Deferred tax asset	13	46,626	34,406
Total non-current assets		312,876	233,110
Total assets		2,511,811	2,398,545
LIABILITIES			
Current liabilities			
Current tax liabilities	13	4,098	51,963
Trade and other payables	14	163,405	231,862
Provisions	15	115,071	84,426
Total current liabilities		282,574	368,251
Non-Current Liabilities			
Trade and other payables	14	91,854	-
Provisions	15	42,550	35,615
Total non-current liabilities		134,404	35,615
Total liabilities		416,978	403,866
Net assets		2,094,833	1,994,679
EQUITY			
Issued capital	16	1,258,525	1,258,525
Retained earnings	17	836,308	736,154
Total equity		2,094,833	1,994,679

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017		1,258,525	562,779	1,821,304
Total comprehensive income for the year		-	308,440	308,440
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(135,065)	(135,065)
Balance at 30 June 2018		1,258,525	736,154	1,994,679
Balance at 1 July 2018		1,258,525	736,154	1,994,679
Total comprehensive income for the year		-	240,847	240,847
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(140,693)	(140,693)
Balance at 30 June 2019		1,258,525	836,308	2,094,833

Statement Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		2,574,921	2,305,388
Payments to suppliers and employees		(2,205,805)	(1,749,068)
Interest received		41,515	35,646
Income taxes paid		(153,972)	(160,050)
Net cash provided by operating activities	18	256,659	431,916
Cash flows from investing activities			
Payment of intangible assets		(26,368)	-
Proceeds from sale of property, plant and equipment		386	-
Payment for property, plant and equipment		(8,994)	-
Net cash used in investing activities		(34,976)	-
Cash flows from financing activities			
Loans repaid		-	25,000
Dividends paid	22	(140,693)	(135,065)
Net cash used in financing activities		(140,693)	(110,065)
Net increase in cash held		80,990	321,851
Cash and cash equivalents at the beginning of the financial year		1,916,982	1,595,131
Cash and cash equivalents at the end of the financial year	8(a)	1,997,972	1,916,982

Notes to the financial statements

for the year ended 30 June 2019

Note 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 Standards Board (AASB) 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 which 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. 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.

Application of new and amended accounting standards

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not affected any of the amounts recognised in the current period.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branches. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense as incurred over the term of the

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$1,824,503.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank** branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank** branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- 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 otherwise stated.

b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST).

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

b) Revenue (*continued*)

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis.

Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

b) Revenue (*continued*)

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

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

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

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 company expects, at the reporting date, to recover or settle the carrying

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

c) Income tax (*continued*)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

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 expensed 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.

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

g) Inventory

Inventories are measured at the lower of cost and net realisable value.

h) Property, plant and equipment

Plant and equipment, leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

- leasehold improvements	5 - 10	years
- furniture and fittings	3 - 40	years

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

i) Intangibles

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

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

j) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of no more than 30 days from the date of recognition.

k) Financial instruments

The company's financial instruments consist mainly of deposits with banks, account receivables and payables. The totals for each category of financial instruments are measured in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*.

Recognition and initial measurement

Trade receivables are initially measured at the transaction price.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include trade and other payables. They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments (*continued*)

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (*continued*)

l) Leases

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 events and 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) Issued capital

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.

Notes to the financial statements continued

Note 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 policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

(iv) Liquidity risk

The company operates prudent liquidity management by maintaining excess liquid assets relative to its financial

(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.

Notes to the financial statements continued

Note 2. Financial risk management (*continued*)

(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 monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 are included in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 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

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 carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

Notes to the financial statements continued

Note 3. Critical accounting estimates and judgements (continued)

Estimation of 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.

Note 4. Revenue from ordinary activities	2019	2018
	\$	\$
Operating activities:		
- services income	2,165,518	2,044,904
- market development fund	39,167	45,000
Total revenue from operating activities	<u>2,204,685</u>	<u>2,089,904</u>
Non-operating activities:		
- interest received	37,934	33,787
- revenue from Monopoly sponsorships	82,000	-
- rental income	7,019	7,533
Total revenue from non-operating activities	<u>126,953</u>	<u>41,320</u>
Total revenues from ordinary activities	<u><u>2,331,638</u></u>	<u><u>2,131,224</u></u>

Note 5. Gross trading profit

Sales		
Sales - monopoly	107,823	-
Less: Cost of sales		
Opening stock on hand	<u>48,500</u>	<u>-</u>
Plus:		
Purchases	38,278	48,500
Work in process	-	-
Less:		
Closing stock on hand	<u>-</u>	<u>48,500</u>
Gross profit	<u><u>21,045</u></u>	<u><u>-</u></u>

Notes to the financial statements continued

Note 6. Expenses	2019	2018
	\$	\$
Depreciation of non-current assets:		
- furniture and fittings	5,866	4,974
- leasehold improvements	40,819	40,177
Amortisation of non-current assets:		
- franchise agreement	4,364	4,337
- franchise renewal fee	21,834	21,682
	<u>72,883</u>	<u>71,170</u>
Bad debts	<u>(4,436)</u>	<u>363</u>
Note 7. Income tax expense		
The components of tax expense comprise:		
- Current tax	106,107	128,316
- Movement in deferred tax	(12,220)	(11,262)
	<u>93,887</u>	<u>117,054</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	334,734	425,494
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	92,052	117,011
Add tax effect of:		
- non-deductible expenses	1,947	43
- timing difference expenses	12,108	11,262
	<u>106,107</u>	<u>128,316</u>
Movement in deferred tax	<u>(12,220)</u>	<u>(11,262)</u>
	<u>93,887</u>	<u>117,054</u>

Notes to the financial statements continued

Note 8. Cash and cash equivalents	2019	2018
	\$	\$
Cash at bank and on hand	238,157	157,167
Term deposits	1,759,815	1,759,815
	<u>1,997,972</u>	<u>1,916,982</u>

Note 8.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	238,157	157,167
Term deposits	1,759,815	1,759,815
	<u>1,997,972</u>	<u>1,916,982</u>

Note 9. Trade and other receivables

Current:

Trade receivables	182,380	178,495
Prepayments	12,798	12,091
Other receivables and accruals	5,785	9,367
	<u>200,963</u>	<u>199,953</u>

Note 10. Inventory

Inventory		
At cost	<u>-</u>	<u>48,500</u>

Inventory held is based on a special fund raising project called Monopoly, based on the board game with a focus on the local area of Lindfield and Turramurra with the idea to provide local support and benefits to the community. The Monopoly boards were all sold during the 2018/19 financial year.

Notes to the financial statements continued

Note 11. Property, plant and equipment	2019	2018
	\$	\$
Leasehold improvements		
At cost	405,264	401,772
Less accumulated depreciation	(290,009)	(249,190)
	<u>115,255</u>	<u>152,582</u>
Furniture and fittings		
At cost	92,827	87,765
Less accumulated depreciation	(55,383)	(49,554)
	<u>37,444</u>	<u>38,211</u>
Total written down amount	<u>152,699</u>	<u>190,793</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	152,582	192,759
Additions	3,492	-
Disposals	-	-
Less: depreciation expense	(40,819)	(40,177)
Carrying amount at end	<u>115,255</u>	<u>152,582</u>
Furniture and fittings		
Carrying amount at beginning	38,211	43,185
Additions	5,499	-
Disposals	(400)	-
Less: depreciation expense	(5,866)	(4,974)
Carrying amount at end	<u>37,444</u>	<u>38,211</u>
Total written down amount	<u>152,699</u>	<u>190,793</u>
Note 12. Intangible assets		
Franchise fee		
At cost	118,992	97,018
Less: accumulated amortisation	(100,064)	(95,700)
	<u>18,928</u>	<u>1,318</u>
Renewal processing fee		
At cost	244,949	135,085
Less: accumulated amortisation	(150,326)	(128,492)
	<u>94,623</u>	<u>6,593</u>
Total written down amount	<u>113,551</u>	<u>7,911</u>

Notes to the financial statements continued

Note 13. Tax	2019	2018
	\$	\$
Current:		
Income tax payable	<u>4,098</u>	<u>51,963</u>
Non-Current:		
Deferred tax assets		
- accruals	798	3,764
- employee provisions	48,846	38,292
	<u>49,644</u>	<u>42,056</u>
Deferred tax liability		
- accruals	1,591	2,451
- property, plant and equipment	1,427	5,199
	<u>3,018</u>	<u>7,650</u>
Net deferred tax asset	<u>46,626</u>	<u>34,406</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(12,220)</u>	<u>(11,262)</u>
Note 14. Trade and other payables		
Current:		
Trade creditors	23,303	58,550
Other creditors and accruals	140,102	173,312
	<u>163,405</u>	<u>231,862</u>
Non current:		
Other creditors and accruals	<u>91,854</u>	<u>-</u>

Notes to the financial statements continued

Note 15. Provisions	2019	2018
	\$	\$
Current:		
Provision for annual leave	77,351	59,608
Provision for long service leave	37,720	24,818
	<u>115,071</u>	<u>84,426</u>
Non-current:		
Provision for long service leave	<u>42,550</u>	<u>35,615</u>

Note 16. Issued capital		
2,251,085 ordinary shares fully paid (2018: 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)
	<u>1,258,525</u>	<u>1,258,525</u>

A bonus share issues on a 1:1 basis (924,160 shares) was issued to all existing shareholders on 6 June 2011. 402,765 shares issued pursuant to the prospectus of the Lindfield branch occurred on 22 October 2011.

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Notes to the financial statements continued

Note 16. Issued capital (*continued*)

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 493 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.

Note 17. Retained earnings	2019	2018
	\$	\$
Balance at the beginning of the financial year	736,154	562,779
Net profit from ordinary activities after income tax	240,847	308,440
Dividends provided for or paid	(140,693)	(135,065)
Balance at the end of the financial year	<u>836,308</u>	<u>736,154</u>

Notes to the financial statements continued

Note 18. Statement of cash flows	2019	2018
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	240,847	308,440
Non cash items:		
- depreciation	46,685	45,151
- amortisation	26,198	26,019
- loss on disposal of asset	14	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,010)	1,567
- (increase)/decrease in other assets	(99,902)	(59,762)
- increase/(decrease) in payables	54,112	124,133
- increase/(decrease) in provisions	37,580	18,102
- increase/(decrease) in current tax liabilities	(47,865)	(31,734)
Net cash flows provided by operating activities	<u>256,659</u>	<u>431,916</u>

Note 19. Leases

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	233,026	132,799
- between 12 months and 5 years	426,348	170,152
	<u>659,374</u>	<u>302,951</u>

Each branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease on the Turramurra branch premises expires in August 2023 and an additional five-year option available for renewal. The lease on the Lindfield branch premises expires in December 2020 with an additional five-year option

Note 20. Auditor's remuneration

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

- audit and review services	4,800	6,000
- share registry	9,381	7,657
- non audit services	3,270	2,930
	<u>17,451</u>	<u>16,587</u>

Notes to the financial statements continued

Note 21. Director and related party disclosures

The names of directors who have held office during the financial year are:

Alan James Bardwell
 Roman Zeno Tarnawsky
 Sara Jane Adams
 John Gallu
 Linda June McDonald
 Christopher Bradley Williamson
 Rowenna Margaret Allabush
 Himel Randeniya (*Appointed 26 November 2018*)
 Adrian Gordon Fong (*Appointed 27 May 2019*)
 Michael Prior (*Appointed 26 November 2018, Resigned 24 June 2019*)
 Vera Fiala (*Resigned 27 May 2019*)
 Nirmal Singh Hansra (*Resigned 15 November 2018*)

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

	2019 \$	2018 \$
Transactions with related parties:		
Christopher Williamson is a director of Tower Brands Pty Ltd which provided website design, website hosting and graphic design services to the company during the financial	-	288

Directors Shareholdings	2019	2018
Alan James Bardwell	1,000	1,000
Roman Zeno Tarnawsky	2,000	2,000
Sara Jane Adams	-	-
John Gallu	-	-
Linda June McDonald	6,000	6,000
Christopher Bradley Williamson	-	-
Rowenna Margaret Allabush	-	-
Himel Randeniya (<i>Appointed 26 November 2018</i>)	-	-
Adrian Gordon Fong (<i>Appointed 27 May 2019</i>)	-	-
Michael Prior (<i>Appointed 26 November 2018, Resigned 24 June 2019</i>)	-	-
Vera Fiala (<i>Resigned 27 May 2019</i>)	-	-
Nirmal Singh Hansra (<i>Resigned 15 November 2018</i>)	-	-

There was no movement in directors shareholdings during the year.

Note 22. Dividends provided for or paid	2019 \$	2018 \$
a. Dividends paid during the year		
Current year dividend		
100% (2018: 100%) franked dividend - 6.25 cents (2018: 6 cents) per share	<u>140,693</u>	<u>135,065</u>

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%)

Notes to the financial statements continued

Note 22. Dividends provided for or paid (continued)	2019	2018
	\$	\$
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the beginning of the financial year	316,642	207,824
- franking credits that will arise from payment of income tax during the financial year	156,539	103,668
- Franking credits/(debits) from payment/(refund) of income tax following lodgement of annual income tax returns	(2,567)	56,382
- Franking debits from the payment of fully franked dividends	(53,366)	(51,232)
- Franking account balance as at the end of the financial year	417,248	316,642
- Franking credits that will arise from payment of income tax payable as at the end of the financial year	4,098	51,963
Net franking credits available	421,346	368,605

Note 23. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 24. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	240,847	308,440
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,251,085	2,251,085

Note 25. Events occurring after the reporting date

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

Note 26. Contingent liabilities and contingent assets

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

Notes to the financial statements continued

Note 27. Segment reporting

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

Note 28. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
1273 Pacific Highway Turramurra NSW 2074	1273 Pacific Highway Turramurra NSW 2074

Notes to the financial statements continued

Note 29. 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		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	237,920	156,965	1,759,815	1,759,815	-	-	-	-	237	202	1.88	1.82
Receivables	-	-	-	-	-	-	-	-	182,380	178,495	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	23,303	58,550	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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019	2018
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	19,977	19,168
Decrease in interest rate by 1%	(19,977)	(19,168)
Change in equity		
Increase in interest rate by 1%	19,977	19,168
Decrease in interest rate by 1%	(19,977)	(19,168)

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 2019 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 AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Alan James Bardwell, Chair

Signed on the 24th of September 2019.

Independent Auditor's 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 audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Ku-ring-gai Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards.

What we have audited

Ku-ring-gai Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

Independent Auditor's Report continued

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2019



Joshua Griffin
Lead Auditor



Franchisee: Ku-ring-gai Financial Services Limited
PO Box 430 Turrumurra NSW 2074
www.tlcbb.com.au
ABN 56 103 129 184

Turrumurra **Community Bank** Branch
1273 Pacific Highway Turrumurra NSW 2074
Ph 02 9488 9496 Fax 02 9488 8193
www.tlcbb.com.au

Lindfield **Community Bank** Branch
318 Pacific Highway Lindfield NSW 2070
Ph 02 9416 6337 Fax 02 9880 9171
www.tlcbb.com.au