KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2021

Community Bank
Turramurra and Lindfield

Bendigo Bank

Cast of Hornsby Gang Show 2021

KU-RING-GAI FINANCIAL SERVICES LIMITED

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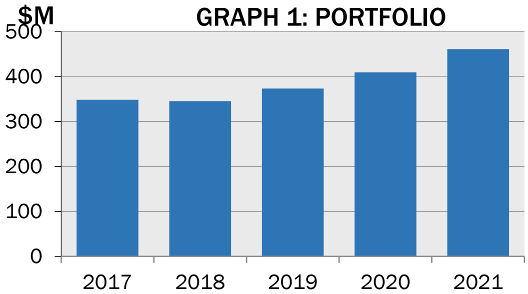
ANNUAL REPORT 2021

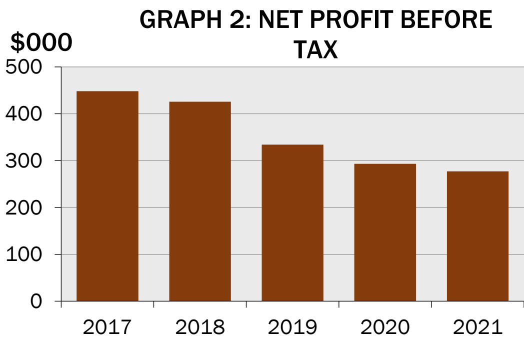
Contents

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 2021.

Although it has been an incredibly challenging year for the company, the business has not only survived but continued to grow and evolve. Our portfolio grew by 12.7% to a total $461 million (see Graph 1) while profit before tax for the year was $276,983, down slightly from $292,728 in the prior year (see Graph 2). This was a very good result in the circumstances and profit would have grown if not for a much higher contribution to the community than last year.



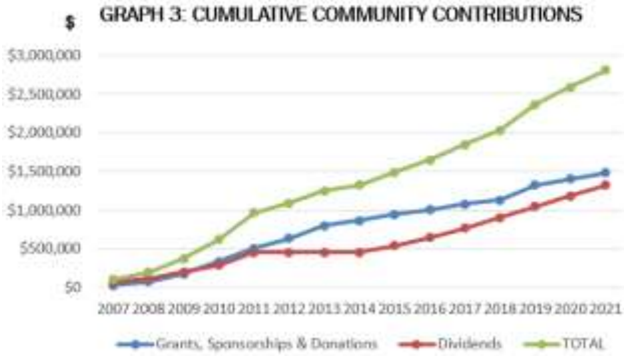


You will have noticed that we now have a Chief Executive Officer, Martin Watkins. This is a new position that reflects the company's evolution and need for our senior executive officer to take a more holistic perspective on the management and growth of the company. I am delighted to welcome Martin to the company and his report includes more details on our results.

Business Environment

The challenge this year has come from the congruence of several factors that taken individually would be difficult enough but taken together were, if not a perfect storm, perhaps close to one. These factors are COVID, a highly competitive home lending market, declining margins and a change in key staff.

COVID has of course dominated the year however our staff have done a great job continuously adapting to the changing conditions to ensure the company operated effectively. COVID has caused a slowdown of housing stock being placed on the market, in turn reducing housing transactions and impacting the demand for mortgage lending. The fall in transaction volume has intensified the competition for lending with very low interest rates and large cash incentives being offered to borrowers. COVID has also had a major impact on our ability to hold community fund raising events and has significantly impacted the strong community networking momentum we had pre-COVID. However, we continue to look at innovative, digital based programs to reach out and support our community and more details are provided by our Community Development Manager, Sharon Franke, in her report. Our cumulative community contribution since inception of the company to the end of FY21 now stands at $2.8 million (Graph 3).



The low interest rate cycle and a very competitive property lending market continues to significantly depress our net interest margins and revenues. To put this into perspective, we are earning 10% less on our portfolio at the end of the year than one year ago. This continues the trend of the last few years, and it looks unlikely to reverse in the short term. It means we must work harder and harder to grow the portfolio just to maintain our margin earnings and revenue, let alone increase them. So far, we have largely managed to do so which is a testament to the hard work of all our staff and the Board.

Our People

During the year our longstanding Branch Manager, Dean Castell, left the company to return to Queensland. Dean has done an excellent job for the company and the Board wishes him well in his future endeavours. As I've already mentioned, Dean's departure enabled the Board to reconsider our needs now that the company is larger and with a strategy to further grow the business. Consequently, the Board has appointed Martin Watkins as CEO. Martin is a qualified accountant with many years of business experience including operating his own business and more recently as a CEO for a respected company in the aged care sector.

The Board has been relatively stable during the year. Rowenna Allabush resigned from the Board after several years of valuable service, particularly around our marketing and community engagement activities. In October 2021 Amanda Descoeudres has also resigned from the Board. Amanda has brought some excellent financial expertise to the Board and I wish Amanda all the best now she has returned to full-time executive employment. I am pleased that Rune Henriksen, after several months as a Board Observer, joined the Board during the year. Rune brings some valuable financial and commercial skills and experience to the Board.

Karen Chivas and Linda McDonald

On behalf of the Board, I would like to thank all the staff for their continued commitment and achievements in the year and thank everyone at the Bank, particularly the Bank's Regional Manager Alan Fardon, for their continued support of Community Banking in general and the company specifically. I would like to thank all my fellow directors for their continued support and for their generous volunteered time and effort on behalf of the company.

Our strategy

Last year I advised shareholders we were working with the Bank to develop a medium to long term growth strategy for the company. This work was completed with the key points in summary being:

- Actively expand our geographic reach beyond our traditional Lindfield and Turramurra base;
- Adopt an integrated digital and physical footprint;
- Rethink the size and design of physical locations to meet future customer needs;
- Invest in capabilities to better serve our customers and the community beyond in-branch interactions;
- Simplify and standardise processes to enhance customer and community experience; and
- Continue to organically grow in target markets while seeking and investing in acceptable acquisition opportunities.

Staff Grant – North Shore Mums Smiles2U

The Board, with our new CEO and with our partners at the Bank, are working on plans to progress each of these areas of focus. The company has the good fortune of being in a strong financial position with significant cash on the balance sheet available for investment. If plans currently in-progress come to fruition it is expected that a significant portion of available funds will be utilised during the next year.

Staff Grant – BlowFly Cricket Club

Our shareholders

I would like to say a big thanks to all our shareholders for your continued advocacy and support of the company.

During the year, the company paid shareholders a fully franked dividend of 6.25 cents per share which matched the dividend paid last year. Typically, the company has paid its annual dividend in the April to June quarter of each financial year. The Board has decided to move the timing of any payment of an annual dividend to sooner after the completion of the annual accounts. Consequently, a dividend of 6.25 cents per share for payment in the next few months has been approved by the Board. Shareholders will receive formal notification of this dividend and payment details in due course.

Due to the uncertainty of being able to meet physically due to COVID 19, the 19th Annual General Meeting will be held by video conference on Wednesday, 17th November 2021 commencing at 6.00pm. Further details will be provided to shareholders shortly. I look forward to meeting shareholders virtually at the AGM.

Alan Bardwell
Chairman

CEO Report

This is my first KFSL Annual Report, and the first time that the organisation has had the position of Chief Executive Officer (CEO). This inaugural role is charged with the responsibility of implementing a regional growth strategy and for the overall leadership and strategic direction of the company. Whilst the CEO is responsible for the overall performance of the company, the responsibility for day-to-day banking business and customer interactions are undertaken by the KFSL branch staff who have considerable experience with the company.

Staff Grant – KYDS Youth Development Service

KFSL has a great business platform that spans nearly two decades. However, there are challenges facing the way retail banking is conducted – ‘less branch, more digital,’ with the result that our ‘face to face’ interactions with customers will reduce over time. This requires us to be more outward looking and proactive in servicing existing customers and acquiring new ones.

We need to build on our relationships with customers, community, and influencers to generate a ‘multiplier effect.’ In other words, the message will be around **‘if you bank with us, the more we can assist YOUR Community.’**

Thus, our value proposition must ensure our customers ‘love us ‘and are advocates. We are known for.

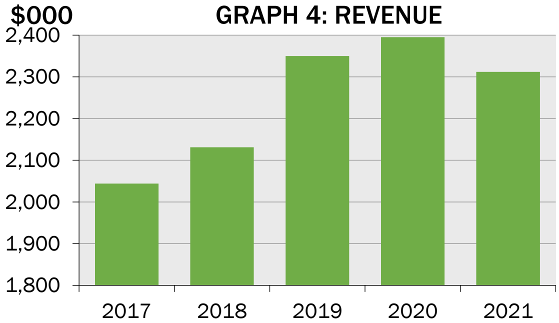
- **People first** - we are in the people business.
- **Operational excellence** - our reputation is built on trust, doing the right thing for our and business
- **Local customer engagement** - a focus on attracting new customers and doing more with those we already have.
- **Community** - creating and strengthening partnerships that deliver positive social outcomes.

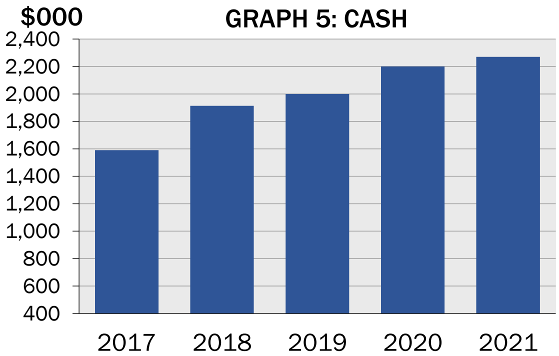
However, an area that is changing can be summarised as:

- **Future Network** - because our customers’ needs evolve, technology changes and the industry shift. Local Banking networks will not be the same tomorrow as today.

As in previous years, KFSL's revenue is obtained from a share of the net interest rate margin earned on the company's portfolio. In this era of low interest rates this naturally affects the quantum of earnings, so it is pleasing to note that FY21 operating revenue ($2.25 million) has held up in comparison to FY20 ($2.24 million). Gross Margin was steady as portfolio growth offset lower margin rates. Overall revenue declined however as both Government COVID-19 Support and Market Development Fund income ended in FY21 (see Graph 4).

The company's balance sheet remains strong, with year-end cash reserves increasing to $2.27 million (see Graph 5).





COVID-19 related restrictions continued to affect community events, thus $95,000 was transferred to the Bendigo Bank Community Enterprise Foundation in June 2021 for use by KFSL on community needs and engagement in future years.

Staff Grant – KU South Turramurra

KFSL is very fortunate in that we have very experienced and long-standing staff who not only provide outstanding service and retail banking expertise, but also participate in their own time at community events. They 'walk the talk', and I would like to extend my appreciation to their assistance over the formative months.

Staff Grant – Studio ARTES

Whilst KFSL is a small organisation, with the support of staff, community, and the Bendigo Bank, we have the capacity to be 'fit for the future', with a focus on evolving our branches, resources and how we do things to the benefit of our community.

Martin Watkins
Chief Executive Officer

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.

The financial year ending 30 June 2021 proved to be a challenging one. The coronavirus pandemic continued to impact on our ability to hold the type of campaigns we had in the past and limited our face-to-face time with local community organisations; despite this the year held a number of significant achievements.

Kissing Point Baseball Club

We were thrilled to be able to help Kissing Point Baseball Club achieve their eight-year goal of having their own batting cage. The club received a $50,000 grant from the State Government, matched by a further $50,000 grant from Ku-ring-gai Council, but was still short of the funds needed to complete the project. A $10,000 donation from our Community Bank together with funds from the club itself resulted in the cage being built in 2020.

Wrapping for Hornsby Ku-ring-gai Women's Shelter - Christmas 2020

During the year we continued to support our Community Partner, the Hornsby Ku-ring-gai Women's Shelter. Following the success of the Safe Place Appeal in June 2020 the Hornsby Ku-ring-gai Women's Shelter was able to purchase a home of their own – to assist with this purchase we provided a loan and committed to covering the interest on $500,000 for the first three years. The new shelter will provide a safe home for many women and children escaping from domestic violence and homelessness for years to come and we are very proud of our support of this major achievement.

In 2021 we were excited to provide a $10,000 grant to Hornsby Ku-ring-gai Community Transport for new uniforms which have our logo displayed proudly on the sleeve. Our support of Hornsby Ku-ring-gai Community Transport has spanned more than a decade - the last change of uniform took pace in 2008 when we provided a $2,000 grant to assist.

Hornsby Woodworking Men’s Shed

There were several disappointments during the year. The 2021 Hornsby Gang Show was cancelled after only two performances following Sydney’s lockdown in June – the cast had rehearsed for many months and as major sponsors we were sorry to miss out on seeing the show. Many of the local sporting clubs that we support had significantly shortened seasons and we have missed visiting and mixing with our community over the last 12 months.

Notwithstanding this, our year ended on a high note with our first entirely digital major campaign. The Double the Impact campaign enabled nine community organisations and charities to raise funds to achieve a nominated project of up to $7,000. We matched 50% of each group’s fundraising goal and all nine fundraising targets were achieved or passed. Our $25,000 donation resulted in the completion of nine community projects valued at $59,090.

During the year we provided financial support to 38 community groups. Our focus has continued to be on using our connections within the community to enhance the support we can provide via introductions between groups, partnering in projects, large and small, and dollar matching. While we have continued to provide sponsorship to a limited number of local community organisations; our primary focus is to create an improved outcome for the whole community which has meant an emphasis on charitable organisations.

Over the year we contributed $76,655 to the local community in the form of grants, donations, and sponsorships. However, we were able to increase this figure to $115,536 via programs such as Double the Impact.

Wheels for Ryan

Our staff and directors have once again generously given hours of their own time during the last twelve months to support the local community. Under our volunteer program we have continued our hands-on support with our staff volunteering at Meals on Wheels on a regular basis.

Our cumulative contributions to local community groups, including shareholders, since the company’s inception is now $2,805,824.

We look forward to continuing our support of the community in the next financial year and to both strengthening our existing relationships and making new ones.

Sharon Franke

Community Development Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance or your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.

Collin Brady
Head of Community Development

Directors' Report

The directors present their financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during or since the end of the financial year are:

Alan James Bardwell
Chair
Occupation: Non-executive Director
Qualifications, experience and expertise: BA(Hons), CA, SFFin, GAICD. Alan has over 35 years' experience in the banking and finance industry including 16 years with Citigroup and 10 years to February 2017 as Chief Financial Officer and then Chief Risk Officer at ASX Limited. Alan is Chairman of RT Health Ltd and a non-executive director of Transport Health Pty Ltd, Australian Military Bank, ClearView Life Nominees Pty Ltd and the Financial Services Institute of Australasia. 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: Chair of the Strategic Planning Committee and Member of HR Committee
Interest in shares: 1,000 ordinary shares

Sara Adams
Deputy Chair
Occupation: Retired
Qualifications, experience and expertise: GAICD. Sara has had over 24 years' experience in the ICT industry holding senior leadership roles within sales, marketing and distribution channels for companies such as Apple and Cisco.
Special responsibilities: Deputy Chair, Chair of Customer and Community Committee. Member of HR and Strategic Planning Committees.
Interest in shares: nil share interest held

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 Turramurra since 1980 and has been active in local resident groups and youth sailing programs. His 30 year career has provided experience in engineering, logistics and retail marketing, including franchising and business-to-business marketing. Roman was appointed Deputy Chairman on 1 July 2014.
Special responsibilities: Deputy Chair, Chair of Finance, Risk & Governance Committee, Member of HR Committee and Strategic Planning Committee.
Interest in shares: 2,000 ordinary shares

John Gallu
Non-executive director
Occupation: Business Management Consultant
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 Customer & Community Committee
Interest in shares: nil share interest held

Linda June McDonald
Non-executive director
Occupation: Executive Coach
Qualifications, experience and expertise: BSc, AFIML, FAITD. Linda has 30 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 35 years. Prior to her consulting career she held senior management roles in human resources and organisation development with large corporates in Australia and Canada. She is President of Support Lindfield, a local community group lobbying for a community hub in Lindfield and is Vice President of the North Shore Rowing Club and is a keen rower and cyclist.
Special responsibilities: Chair of HR Committee.
Interest in shares: 6,000 ordinary shares

Christopher Bradley Williamson
Non-executive 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 Finance, Risk & Governance Committee.
Interest in shares: nil share interest held

Himal Suneth Randeniya
Non-executive director
Occupation: Managing Director
Qualifications, experience and expertise: Himal is a Director of Being Early Education. His life's purpose is helping shape an extraordinary system of education that creates a powerful future for all children and students. Himal is a Director for the Being Group, Work Flows Pty Ltd, and mentor for technology start-ups through Blackbird's Startmate Accelerator.
Special responsibilities: Member of Customer and Community Committee.
Interest in shares: nil share interest held

Adrian Gordon Fong
Non-executive 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: Member of Finance, Risk & Governance Committee.
Interest in shares: nil share interest held

Amanda Faith Descoeudres
Non-executive director
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 25 years experience working both in professional services and in a variety of senior finance roles at ASX listed companies. 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 having previously been the Treasurer of the 2nd Gordon Scout Group.
Special responsibilities: Member of Finance, Risk & Governance Committee.
Interest in shares: nil share interest held

Rune Lykkegaard Henriksen
Non-executive director (appointed 29 March 2021)
Occupation: Chief Operating Officer/Chartered Accountant
Qualifications, experience and expertise: Rune has worked in accounting and finance for more than 25 years both in Australia and Europe with substantial experience in financial services. Rune is the Chief Operating Officer at Kennedy Partners Wealth, a boutique wealth management business. Rune holds Bachelor of Business degrees in Accounting and Business Administration and is member of the Chartered Accountants Australia & New Zealand and a Fellow Institute of Chartered Accountants in England and Wales (ICAEW). Rune also holds a Graduate Diploma of Applied Finance and is a member of the Australian Institute of Company Directors. Rune has lived in Ku-Ring-Gai since 2007 and has been involved in the local soccer club as a committee member. Special responsibilities: Member of Finance, Risk & Governance Committee.
Interest in shares: nil share interest held

Rowenna Margaret Allabush
Non-executive director (resigned 29 March 2021)
Occupation: Managing Director
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: Member of Customer & Community Committee.
Interest in shares: nil share interest held

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

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

The Company Secretary is Viktoriya Kravets. Viktoriya was formally appointed to this position on 8 February 2021 having previously held a Company Secretary Administrator role since June 2020. Viktoriya took over the role from Ian John Greentree. Ian was appointed to this position on 30 April 2018.

Qualifications, experience and expertise: Bachelor of Laws (Honours) from Queen Mary University of London; Diploma of Law (courses to meet Australian admission requirements) by Legal Profession Admissions Board. Viktoriya has worked in the Property industry for over 8 years, and volunteered in Legal Aid clinics. She is currently employed in a senior Credit and Compliance role within an ASIC regulated funds management business.
Interest in shares: Nil share interest held

Principal Activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial 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:

Year ended	Year ended
30 June 2021	30 June 2020
$	$
209,912	221,983

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Alan James Bardwell	1,000	-	1,000
Sara Adams	-	-	-
Roman Zeno Tarnawsky	2,000	-	2,000
John Gallu	-	-	-
Linda June McDonald	6,000	-	6,000
Christopher Bradley Williamson	-	-	-
Himal Suneth Randeniya	-	-	-
Adrian Gordon Fong	-	-	-
Amanda Faith Descoeudres	-	-	-
Rune Lykkegaard Henriksen	-	-	-
Rowenna Margaret Allabush	-	-	-

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount
		$
Final fully franked dividend	6.25	140,693

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount
		$
Final fully franked dividend	6.25	140,693

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company’s operations.

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

Events since the end of the financial year

Since 30 June 2021, the Directors declared a fully franked 6.25 cents per share dividend. The dividend has not been provided for and there are no income tax consequences for the company in relation to the year ended 30 June 2021.

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 to facilitate banking services for 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.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the 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 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 (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

E - eligible to attend *A - number attended*	Board Meetings Attended		Committee Meetings Attended					
			Finance Risk and Governance		Customer and Community		Human Resource	
	E	A	E	A	E	A	E	A
Alan James Bardwell	11	10	-	-	-	-	1	1
Sara Adams	11	9	-	-	9	9	1	1
Roman Zeno Tarnawsky	11	10	10	10	-	-	1	1
John Gallu	11	11	-	-	9	9	-	-
Linda June McDonald	11	11	-	-	-	-	1	1
Christopher Bradley Williamson	11	9	10	9	-	-	-	-
Himal Suneth Randeniya	11	10	-	-	9	9	-	-
Adrian Gordon Fong	11	10	10	9	-	-	-	-
Amanda Faith Descoeudres	11	9	10	10	-	-	-	-
Rune Lykkegaard Henriksen	3	3	-	-	-	-	-	-
Rowenna Margaret Allabush	8	8	-	-	6	6	-	-

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 note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance, Risk and Governance Committee, is satisfied that the provision of the non-audit services is compatible with, and 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, Risk and Governance Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks 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 16.

Signed in accordance with a resolution of the directors

Alan James Bardwell, Chair

Dated this 22nd day of September 2021

Auditor's Independence Declaration

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent 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 2021, 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: 22nd September 2021

Joshua Griffin
Lead Auditor

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	2,251,041	2,249,478
Other revenue	9	48,269	108,436
Finance income	10	13,577	37,186
Employee benefit expenses	11c)	(1,058,284)	(1,184,723)
Charitable donations, sponsorship, advertising and promotion		(263,549)	(183,446)
Occupancy and associated costs		(49,234)	(52,620)
Systems costs		(94,639)	(94,681)
Depreciation and amortisation expense	11a)	(270,062)	(268,065)
Finance costs	11b)	(60,020)	(67,252)
General administration expenses		(240,116)	(251,585)
Profit before income tax expense		**276,983**	**292,728**
Income tax expense	12a)	(67,071)	(70,745)
Profit after income tax expense		**209,912**	**221,983**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**209,912**	**221,983**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	30a)	9.32	9.86

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	2,268,349	2,203,022
Trade and other receivables	14a)	199,089	191,172
Current tax assets	18a)	10,454	5,051
Total current assets		2,477,892	2,399,245
Non-current assets			
Property, plant and equipment	15	63,316	107,188
Right-of-use assets	16a)	1,131,570	1,308,680
Intangible assets	17a)	60,924	87,292
Deferred tax asset	18b)	95,123	98,866
Total non-current assets		1,350,933	1,602,026
Total assets		3,828,825	4,001,271
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	166,494	171,853
Lease liabilities	20a)	192,444	179,081
Employee benefits	22a)	150,117	187,620
Total current liabilities		509,055	538,554
Non-current liabilities			
Trade and other payables	19b)	30,619	61,237
Lease liabilities	20b)	1,034,552	1,209,169
Employee benefits	22b)	33,179	42,140
Make good provisions	21a)	47,235	45,205
Total non-current liabilities		1,145,585	1,357,751
Total liabilities		1,654,640	1,896,305
Net assets		2,174,185	2,104,966
EQUITY			
Issued capital	23a)	1,258,525	1,258,525
Retained earnings	24	915,660	846,441
Total equity		2,174,185	2,104,966

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		1,258,525	765,151	2,023,676
Total comprehensive income for the year		-	221,983	221,983
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(140,693)	(140,693)
Balance at 30 June 2020		**1,258,525**	**846,441**	**2,104,966**
Balance at 1 July 2020		1,258,525	846,441	2,104,966
Total comprehensive income for the year		-	209,912	209,912
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(140,693)	(140,693)
Balance at 30 June 2021		**1,258,525**	**915,660**	**2,174,185**

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		2,511,057	2,584,275
Payments to suppliers and employees		(1,949,542)	(1,869,432)
Interest received		19,111	35,448
Lease payments (interest component)	11b)	(57,990)	(65,305)
Lease payments not included in the measurement of lease liabilities	11d)	(37,549)	(36,072)
Income taxes paid		(68,731)	(105,143)
Net cash provided by operating activities	25	**416,356**	**543,771**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,018)	(1,527)
Payments for intangible assets		(26,368)	(26,368)
Net cash used in investing activities		**(29,386)**	**(27,895)**
Cash flows from financing activities			
Lease payments (principal component)		(180,950)	(170,088)
Dividends paid - current	29a)	(140,693)	(140,693)
Dividends paid - historical		-	(45)
Net cash used in financing activities		**(321,643)**	**(310,826)**
Net cash increase in cash held		**65,327**	**205,050**
Cash and cash equivalents at the beginning of the financial year		2,203,022	1,997,972
Cash and cash equivalents at the end of the financial year	13	**2,268,349**	**2,203,022**

Notes to the financial statements
for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Ku-ring-gai Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

1273 Pacific Highway
Turramurra NSW 2074

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2 Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 22 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank 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.

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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

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.

Core banking products

Bendigo Bank has identified some 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 call deposits.

Notes to the financial statements continued

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Ability to change financial return

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

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

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue recognition policy
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Cash flow boost

In response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in October 2023.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

Note 4 Summary of significant accounting policies *(continued)*

c) Economic dependency - Bendigo Bank *(continued)*

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

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 Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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 and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- 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
- providing payroll services.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 4 Summary of significant accounting policies *(continued)*

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 10 years
Furniture, fixtures and fittings	Straight-line	1 to 40 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

Note 4 Summary of significant accounting policies *(continued)*

h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which convey the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if required.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to receipt of cash flows from the financial asset expires or the rights are transferred to another party whereby the company no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

j) Impairment

The company determines whether a loss allowance for expected credit losses on its trade receivables is required.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of customer base, appropriate groupings of its historical loss experience etc.).

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2021.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

Notes to the financial statements continued

Note 4 Summary of significant accounting policies *(continued)*

k) 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.

l) Make good provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions recognised in the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to their original condition at the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to do this and to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed lease payments and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the financial statements continued

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

As a lessee (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term and economic environment.

Notes to the financial statements continued

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. 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 company. The company does not use derivative instruments.

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	1,226,996	242,620	913,769	240,893
Trade and other payables	197,113	166,494	30,619	-
	1,424,109	409,114	944,388	240,893

Notes to the financial statements continued

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	1,388,250	236,533	974,287	403,401
Trade and other payables	233,090	171,853	61,237	-
	1,621,340	408,386	1,035,524	403,401

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and earnings on these subject to movements in market interest.

The company held cash and cash equivalents of $2,268,349 at 30 June 2021 (2020: $2,203,022). The cash and cash equivalents are held in cash and term deposits with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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 company 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 company 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 2021 can be seen 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.

Notes to the financial statements continued

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	2,038,118	2,036,130
- Fee income	109,954	106,843
- Commission income	102,969	106,505
	2,251,041	2,249,478

Note 9 Other revenue

	2021 $	2020 $
- Sub-leasing income	7,019	7,551
- Market development fund income	3,750	35,000
- Government COVID-19 Support	37,500	62,500
- Other income	-	3,385
	48,269	108,436

Note 10 Finance income

	2021 $	2020 $
- Term deposits	13,577	37,186

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

a) Depreciation and amortisation expense	**Note**	**2021** **$**	**2020** **$**
Depreciation of non-current assets:			
- Leasehold improvements		40,874	40,876
- Furniture and fittings		6,017	6,162
		46,891	47,038
Depreciation of right-of-use assets			
- Leased land and buildings		196,803	194,768
Amortisation of intangible assets:			
- Franchise fee		4,395	4,377
- Franchise renewal process fee		21,973	21,882
		26,368	26,259
Total depreciation and amortisation expense		270,062	268,065
b) Finance costs			
- Lease interest expense	20c)	57,990	65,305
- Unwinding of make-good provision		2,030	1,947
		60,020	67,252

Finance costs are recognised as expenses when incurred using the effective interest rate.

Notes to the financial statements continued

Note 11 Expenses *(continued)*

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	867,003	922,864
Contributions to defined contribution plans	88,684	86,990
Expenses related to long service leave	(4,805)	41,537
Other expenses	107,402	135,332
	1,058,284	1,184,723

d) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting.

	2021 $	2020 $
Expenses relating to low-value leases	37,549	36,072

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense		
- Current tax	64,783	95,995
- Movement in deferred tax	(62)	(57,945)
- Adjustment to deferred tax on AASB 16 retrospective application	-	26,991
- Reduction in company tax rate	3,805	5,704
- Changes in estimates related to prior years	(1,455)	-
	67,071	70,745

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of $3,805 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2021	2020
Operating profit before taxation	276,983	292,728
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	72,016	80,500
Tax effect of:		
- Non-deductible expenses	2,457	1,728
- Temporary differences	60	30,955
- Other assessable income	(9,750)	(17,188)
- Movement in deferred tax	(62)	(57,945)
- Reduction in company tax rate	3,805	5,704
- Leases initial recognition	-	26,991
- Under/(over) provision of income tax in the prior year	(1,455)	-
	67,071	70,745

Notes to the financial statements continued

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	502,161	443,207
- Term deposits	1,766,188	1,759,815
	2,268,349	2,203,022

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	187,391	172,959
Prepayments	9,709	10,690
Other receivables and accruals	1,989	7,523
	199,089	191,172

Note 15 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	408,044	405,264
Less: accumulated depreciation	(371,759)	(330,885)
	36,285	74,379
Furniture and fittings		
At cost	94,593	94,354
Less: accumulated depreciation	(67,562)	(61,545)
	27,031	32,809
Total written down amount	63,316	107,188
b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	74,379	115,255
Additions	2,780	-
Depreciation	(40,874)	(40,876)
	36,285	74,379
Furniture and fittings		
Carrying amount at beginning	32,809	37,444
Additions	239	1,527
Depreciation	(6,017)	(6,162)
	27,031	32,809
Total written down amount	63,316	107,188

Notes to the financial statements continued

Note 15 Property, plant and equipment *(continued)*

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 16 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	1,523,141	1,503,448
Less: accumulated depreciation	(391,571)	(194,768)
Total written down amount	1,131,570	1,308,680

b) Reconciliation of carrying amounts

Leased land and buildings		
Carrying amount at beginning	1,308,680	-
Initial recognition on transition	-	1,503,448
Remeasurement adjustments	19,693	-
Depreciation	(196,803)	(194,768)
Total written down amount	1,131,570	1,308,680

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	118,992	118,992
Less: accumulated amortisation	(108,836)	(104,441)
	10,156	14,551
Franchise renewal process fee		
At cost	244,949	244,949
Less: accumulated amortisation	(194,181)	(172,208)
	50,768	72,741
Total written down amount	60,924	87,292

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	14,551	18,928
Amortisation	(4,395)	(4,377)
	10,156	14,551

Notes to the financial statements continued

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts *(continued)*

	2021 $	2020 $
Franchise renewal process fee		
Carrying amount at beginning	72,741	94,623
Amortisation	(21,973)	(21,882)
	50,768	72,741
Total written down amount	60,924	87,292

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 18 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax refundable	(10,454)	(5,051)

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	950	832
- employee provisions	51,934	70,832
- make-good provision	11,809	11,753
- lease liability	306,749	360,945
- property, plant and equipment	7,071	-
Total deferred tax assets	378,513	444,362
Deferred tax liabilities		
- income accruals	497	1,956
- property, plant and equipment	-	3,283
- right-of-use assets	282,893	340,257
Total deferred tax liabilities	283,390	345,496
Net deferred tax assets	95,123	98,866
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	3,743	25,249
Movement in deferred tax charged to Statement of Changes in Equity	-	26,991

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Notes to the financial statements continued

Note 19 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities

	2021 $	2020 $
Trade creditors	25,396	12,406
Other creditors and accruals	141,098	159,447
	166,494	171,853

b) Non-current liabilities

Other creditors and accruals	30,619	61,237

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.40%.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The company's lease portfolio includes:

- Lindfield branch: The lease agreement commenced in December 2015. A five year renewal option was exercised in December 2020. The company has no renewal options available in the current lease agreement, thus the lease term end date used in the calculation of the lease liability is November 2025.
- Turramurra branch: The lease agreement is a non-cancellable lease with an initial term of five years which commenced on 4 August 2018. A five year option has been exercised and a further five year extension option is available, thus the lease term end date used in the calculation of the lease liability is August 2028.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	242,620	236,533
Unexpired interest	(50,176)	(57,452)
	192,444	179,081

Notes to the financial statements continued

Note 20 Lease liabilities *(continued)*

b) Non-current lease liabilities	**2021 $**	**2020 $**
Property lease liabilities	1,154,662	1,377,688
Unexpired interest	(120,110)	(168,519)
	1,034,552	1,209,169

c) Reconciliation of lease liabilities		
Balance at the beginning	1,388,250	-
Initial recognition on AASB 16 transition	-	1,558,338
Remeasurement adjustments	19,696	-
Lease interest expense	57,990	65,305
Lease payments - total cash outflow	(238,940)	(235,393)
	1,226,996	1,388,250

d) Maturity analysis		
- Not later than 12 months	242,620	236,533
- Between 12 months and 5 years	913,769	974,287
- Greater than 5 years	240,893	403,401
Total undiscounted lease payments	1,397,282	1,614,221
Unexpired interest	(170,286)	(225,971)
Present value of lease liabilities	1,226,996	1,388,250

Note 21 Make good provisions

a) Non-current liabilities	**2021 $**	**2020 $**
Make-good on leased premises	47,235	45,205

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision to be $35,000 for the Lindfield branch and $25,000 for the Turramurra branch based on the expected future costs to remove all fittings and the ATM as well as the cost to remedy any damages caused during the removal process.

Note 22 Employee benefits

a) Current liabilities	**2021 $**	**2020 $**
Provision for annual leave	92,862	107,953
Provision for long service leave	57,255	79,667
	150,117	187,620

b) Non-current liabilities		
Provision for long service leave	33,179	42,140

Note 22 Employee benefits *(continued)*

c) Key judgement and assumptions

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	2,251,085	1,326,925	2,251,085	1,326,925
Less: equity raising costs	-	(68,400)	-	(68,400)
	2,251,085	1,258,525	2,251,085	1,258,525

b) Rights attached to issued capital

Ordinary shares

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 branch have the same ability to influence the operation of the company.

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 Bank 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).

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 23 Issued capital *(continued)*

b) Rights attached to issued capital

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 489 shareholders (2020: 494 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) has 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 24 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		846,441	836,308
Adjustment for transition to AASB 16		-	(71,157)
Net profit after tax from ordinary activities		209,912	221,983
Dividends provided for or paid	29a)	(140,693)	(140,693)
Balance at end of reporting period		915,660	846,441

Notes to the financial statements continued

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	209,912	221,983
Adjustments for:		
- Depreciation	243,694	241,806
- Amortisation	26,368	26,259
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(7,916)	9,791
- (Increase)/decrease in other assets	(3,126)	(30,300)
- Increase/(decrease) in trade and other payables	(8,143)	4,244
- Increase/(decrease) in employee benefits	(46,463)	72,138
- Increase/(decrease) in provisions	2,030	1,948
- Increase/(decrease) in tax liabilities	-	(4,098)
Net cash flows provided by operating activities	416,356	543,771

Note 26 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	502,161	443,207
Term deposits	13	1,766,188	1,759,815
Trade and other receivables	14	189,380	180,482
		2,457,729	2,383,504
Financial liabilities			
Trade and other payables	19	197,113	233,090
Lease liabilities	20	1,226,996	1,388,250
		1,424,109	1,621,340

Notes to the financial statements continued

Note 27 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,700	5,000
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	1,690	9,720
- Share registry services	6,499	3,245
Total auditor's remuneration	14,489	18,565

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Alan James Bardwell
Sara Adams
Roman Zeno Tarnawsky
John Gallu
Linda June McDonald
Christopher Bradley Williamson
Himal Suneth Randeniya
Adrian Gordon Fong
Amanda Faith Descoeudres
Rune Henriksen
Rowenna Margaret Allabush

b) Key management personnel compensation

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.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	6.25	140,693	6.25	140,693

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

Note 29 Dividends provided for or paid *(continued)*

b) Dividends proposed not recognised at balance date

Since 30 June 2021, the Directors declared a fully franked 6.25 cents per share dividend. The dividend has not been provided for and there are no income tax consequences for the company in relation to the year ended 30 June 2021.

c) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	469,026	417,248
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(16,869)	(3,893)
- Franking credits from instalments paid	85,600	109,037
- Franking debits from the payment of franked distributions	(49,433)	(53,366)
Franking account balance at the end of the financial year	488,324	469,026
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(10,454)	(5,051)
Franking credits available for future reporting periods	477,870	463,975

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 30 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 $	2020 $
Profit attributable to ordinary shareholders	209,912	221,983
	Number	**Number**
Weighted-average number of ordinary shares	2,251,085	2,251,085
	Cents	**Cents**
Basic and diluted earnings per share	9.32	9.86

Note 31 Commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 32 Contingencies

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

Note 33 Subsequent events

Since 30 June 2021, the Directors declared a fully franked 6.25 cents per share dividend. The dividend has not been provided for and there are no income tax consequences for the company in relation to the year ended 30 June 2021.

There have been no other significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' Declaration

Ku-ring-gai Financial Services Limited
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 2021 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.

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

Alan James Bardwell, Chair

Dated this 22nd day of September 2021

Independent Auditor's Report

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

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Ku-Ring-Gai Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ku-Ring-Gai Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

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 (including Independence Standards)* (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.

Independent Auditor's Report continued

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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.

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.

Responsibilities of the Directors 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 responsibilities 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.

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 22nd September 2021

Joshua Griffin
Lead Auditor

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

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

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