Annual Report 2023

Ku-Ring-Gai Financial Services Limited

Community Bank
Lindfield & Districts

ABN 56 103 129 184

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2023

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Chairman's Report

Dear Shareholder,

It is my pleasure as the Chairman of Ku-ring-gai Financial Services Limited (KFSL) to report on the company's progress during the year ending 30 June 2023.

It was a busy year and the community bank delivered record profits – my sincere thanks go out to our customers, staff, fellow board members and Bendigo and Adelaide Bank, who is our franchisor. These profits are likely to be "supernormal" in nature, due to the environment of rising interest rates and limited margin pressure, both of which are already changing. Given the fluid nature of these external impacts, one should be cautious not to extrapolate these profits into the future. Following the record profits, the Board has declared a fully franked dividend per share of 19.16 cents (2022:7.25 cents) comprising an annual dividend of 7.39 cents per share (2022: 7.25 cents) and a special dividend on the company's 'super profits[1]' of 11.77 cents per share (2022: nil per share).

Despite these strong results it is important to highlight the many challenges that the Community Bank (and banking more broadly) faces, and with which the Board is addressing. I will try to write a frank, balanced assessment, of the operating environment, the challenges we face and what your Board and team are doing about it.

1. **Banking Transformation:** A Shifting Landscape
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Banking Transformation: A Shifting Landscape

To understand the future, it is often important, first, to understand the past.

20 years ago our founding shareholders and board selflessly poured time and money into creating a Community Bank that would serve its banking and community needs. The idea of the Community Bank is bigger than simply serving local customers - it is about making meaningful contributions back into our community.

The contributions that we make from our profits have made a splash in our community and we are proud to have given away more than $3m since being founded. This 'giving' aspect is an important draw card for your board and it believes that this could potentially make the difference in a crowded, commoditised banking market.

In 2003 there were no 'smart' phones, and internet banking was in its infancy. Cash transactions dominated our lives and businesses would have to bring in bags of cash to be counted by tellers.

People cashed cheques, queued for fund transfers and most customers would physically walk into a local branch to do business.

[1] Super profit for this purpose was taken to be measure of the company's profits that exceeds the prior year total profit after tax. This measure will be review by the Board in light of changing economic circumstances.

The proximity of a bank to where you worked or lived was **the physical competitive advantage.** A physical branch network suited this environment. When some of the big banks pulled out of Turramurra there was a physical need for a branch and KFSL was born. This world has, however, changed dramatically:

1. **Technology disruption**
   - Internet banking is more convenient, cheaper and faster than going to a physical branch.
   - Mobile banking – via an app/internet – means a customer can bank 24/7 wherever they are.

In many ways, the digital service and options are now superior. This is not to say a face-to-face relationship is obsolete, it isn't, but we must recognise that we must compete in a world that is very different from 2003.

2. **Mortgage brokers – the largest distribution channel**

Australians have voted with their business and c70% of mortgages are now completed through broker channels (i.e. a broker who represents multiple lenders). As a Bendigo and Adelaide Bank franchisee, we do not operate in the brokerage channel – that means we only compete in 30% of the market, which is a huge headwind.

The global pandemic accelerated many of the structural trends that were already underway. Many businesses would no longer take cash and this accelerated the move to mobile banking, card payments on phones etc. There is a cohort of younger, future customers that may never step into a physical bank. Is this true of all customers? No. But this dynamic has some similarities to what happened with Blockbuster, in my opinion.

Blockbuster – a parallel?

When Netflix burst onto the scene, Blockbuster had physical stores with largely fixed costs. As Netflix grew, the number of DVDs that Blockbuster rented dropped, but it still had to pay 100% of the fixed costs. While c20-25% of Blockbuster's customers wanted to continue utilising the store for a customer experience, the simple maths is that a business with only 20-25% of its original sales/rentals but 100% of the costs, quickly runs into trouble. Are there any potential parallels, or lessons, for our business?

Much like Blockbuster, the data shows that branch visitation is down – globally – as these are trends that impact everyone (digital banking, mobile banking etc). **As a board, we must plan for the medium to long term.** We must plan for our business to be here to serve our customers today and in the future and to continue to deliver long term sustainable value for our community. We no longer operate with a physical advantage - think back to Turramurra in 2003 where there were a shrinking number of banking options which helped us. Today you can open and transact your banking business from anywhere and anytime. We have not won large amounts of business as other bank branches have closed around us. This might have happened pre-internet days when physical footprint was the primary variable – but there is simply another more convenient and more cost-efficient channel today for those customers.

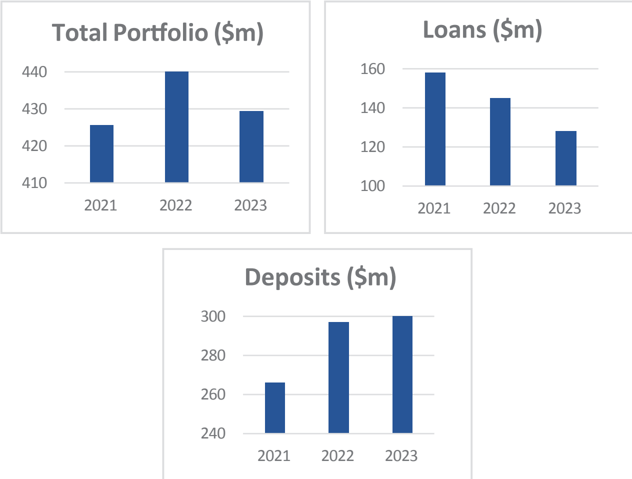
Our business faces the Blockbuster paradox. Our customers tell us that we are providing an excellent service, and perhaps they represent the 25% of customers that loved Blockbuster, but the long-term sustainability of your business means that it is challenging to operate with 100% of the costs of a smaller, visiting, customer base. This mega-trend is what may be driving bank closures globally.

Record profits masking the headwinds

KFSL delivered record results in 2023. But is all as good as it seems? The charts that follow show that our Community Bank total portfolio (mortgages and deposits) has grown since 2021 but it masks the underlying fact that the more profitable and enduring loan book (mortgages) has been shrinking for the past two years. To be clear, the closure of Community Bank Turramurra is not the cause of mortgages going backwards. It is because of the structural issues I have highlighted and challenges at branch operation level.

Deposits have increased in line with the increase in deposit account interest rates, but these can quickly disappear and offer less long-term value than mortgages. Mortgages 'run off' – as they are paid off and come to the end of the loan. We therefore need to continually add new business to keep our loan book stable and then grow it too. As Chair I have been focused on addressing this trend with my fellow board members and our people.

Through decision and focused action, we hired a new committed and energetic branch manager and strong mobile lender and it is making a difference.

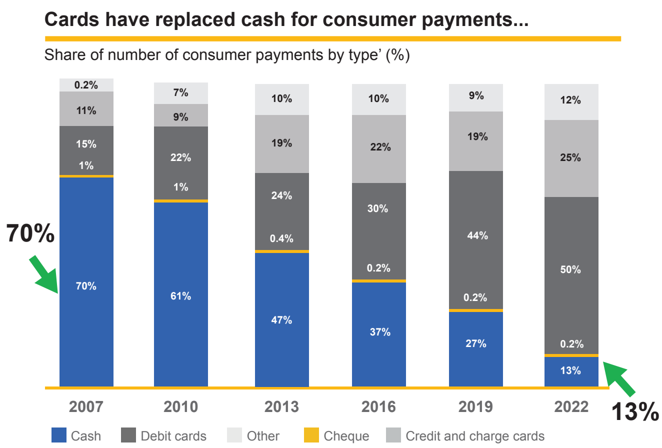


Source: Community Bank Lindfield accounts

Other Challenges

The move to a cashless society:

1. **Cards are replacing cash:** Cash used for payments is now 13% of the transaction value (2022) down from 70% (2007). If you are a bank, handling cash, taking deposits (or business cash receipts) and facilitating cash withdrawals – your business is down significantly.

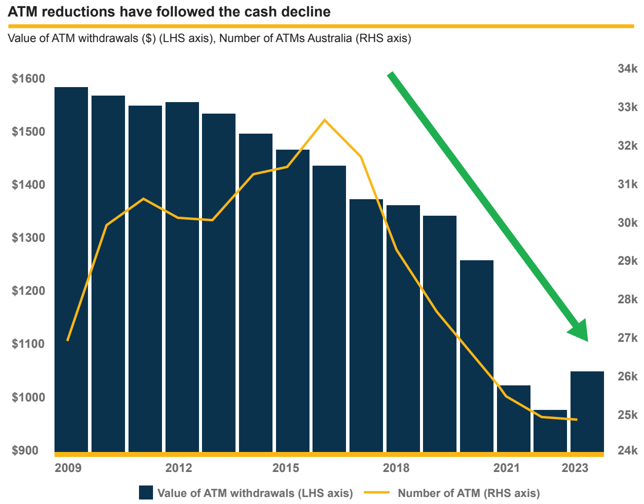


Change in share of consumer payments by number	Payment type	Cash	Cheque	Debit cards	Credit cards	Other
	change 2007-2021	-57 ppt	-0.8 ppt	+35 ppt	+14 ppt	+11 ppt

Source: Australian Banking Association: bank on it – Consumer trends 2023

2. **ATM cash withdrawals down sharply:** Another chart that illustrates this point is the value of ATM withdrawals in $. Note that ATM withdrawals have been declining, but collapsed with Covid-19, and are still down 25-30% from 2018. Logically, the use of cards means less physical branch visits. Quite recently, certain main street banks have announced the phasing out cash from 2024.

Related to cash, there has also been a significant decline in the use of cheques and the Australian Treasurer recently unveiled plans to end the use of cheque payments by 2023 as part of a suite of changes to upgrade Australia's payments systems.



Source: Australian Banking Association: bank on it – Consumer trends 2023

The hunt and challenge for talent

Finding good people in today's job market is difficult.

We continue to invest in our front-line people. As I noted earlier, despite these challenges we brought an energised branch manager and strong mobile lender into our business this year.

KFSL has enjoyed the benefit of having a strong board which has delivered strong results, continues to invest in its community, is building a sustainable community bank now and for the future and is attracting the interest of several other candidates who are interested in contributing to KFSL and its board's success.

Bendigo and Adelaide Bank provides support to the KFSL's board and provides guidance in developing our strategy and recently noted how our actions are aligned to its "Digital by Design, Human where it matters" approach. In the days I have been the Chair, with my board, we have been able to deliver on this and the Community Bank is in better shape as a result.

New competition: Neo Banks

Neo banks that don't have branches and have better technology and faster processing and systems' capability continue to emerge and claim market share. Bendigo Bank itself has its own, independent Neo Bank called UP. It operates as an independent arm of Bendigo and ultimately it competes, along with any other financial institution, with all Community Banks.

We face increasing competition – your board knows this and continues to hone its strategy to counter this existential threat by focusing on its key differentiator – its community focus.

Consolidation of community banks – possibilities?

We believe that the Community Banks will likely need to consolidate, and soon, to gain economies of scale to compete. An astute Chairman I recently spoke to encapsulated this by saying that *'You will either be the bank buying others or be acquired yourself'.*

While foot traffic across all banks drops, having an efficient manager over several branches makes sense. Consolidating mobile lenders and other services by creating economies of scale and utilising our 'giving' resource over a greater geographic area, offers a counter to these headwinds. It is the view of your Board that we need to be on the front foot and be an agent for this change. We cannot pretend that consolidation won't happen – we think it is inevitable.

This consolidation is already happening, and it is likely to accelerate. This is very different from the past where Community Banks generally operated autonomously and used Bendigo Banks banking license and balance sheet.

The closure of Community Bank Turramurra – a difficult decision

The Community Bank Turramurra branch lease was up for renewal in a building that may be redeveloped at any time. The branch was small, outdated and in need of refurbishment at a significant cost. Despite other bank branches closing in the area – Community Bank Turramurra did not experience customer growth – largely because the Board believed those customers were rather turning to online options and staying with their current bank.

The Board considered, in deep consultation with Bendigo and Adelaide Bank, its options and after much deliberation, unanimously made the difficult decision to close the branch. Bendigo and Adelaide Bank fully supported both the decision and the ensuing process that we followed.

Community Bank Lindfield & Districts, our other branch, is in close proximity to a trainline, has closer car parking, a lease with several years to run and considerably more space.

Creating a more personalised experience

When I visit bank branches today, I notice the large, expensive premises, few customers, fewer staff and the lack of the younger generation in the queues. Anecdotally, there seems to be a skew towards the older generation.

As a board, and business, we are trying to serve all our customers, but perhaps the latter mentioned customers better too. For example, we have organised a weekly bus trip from Turramurra to our Community Bank Lindfield & Districts branch where our customers can bank, have a cup of tea or coffee, and we are thinking of other things that may help them with their banking needs.

Our branch has a local telephone number and, in many ways, this service is far more personalised than ever before. Our mobile lender can also come to you wherever you wish (at home, a café, at work). These are just some of the ways in which we are aspiring to provide a better service to our customers.

Profit drives giving

Our Community Bank can only give if it is profitable. It is the intersection of capitalism (a business seeking to make profits) and a social enterprise (donating money). If profits grow, it can give away more. If they shrink – less. If the bank makes losses – it may not only fail, but there will be nothing to give away.

When I joined as Chairman, I noted that we were not measuring the outcome of our giving in terms of pathways to grow the bank. A report that is often cited to me is that community giving has no impact on our business. I think this attitude and approach needs to change.

My observation, and belief, is that the word 'community' is nebulous – the same word means completely different things to different people. It is too blunt a term – it does not resonate with people, in my opinion, and that is why there is no commercial link to our giving.

I think we're asking the wrong question.

Why wouldn’t you bank with us?

I have observed that people give enormous amounts of time, energy, passion, and commitment to things that have impacted their own lives. We know from our community pitch events that large percentages of the donations go to causes that cover: i) domestic violence ii) mental health – particularly teen mental health or suicide, and iii) the elderly.

Imagine if, by only banking with Community Bank Lindfield & Districts, you could choose something that mattered to you, where you lived and, perhaps one day, be able to direct the profits from your loan/ term deposit to the cause that mattered to you in a geographic area where you lived.

Our giving strategy: Multiplier – Perpetual – Scalable

Having considered the above, your Board’s strategy is to become more goal oriented in its giving. We believe that we can do this by dedicating approximately 80% of the donations to causes where KFSL can achieve the following:

1. **Multiplier** – Does the donation cause a multiplier effect, both financially and for society? As an example, KFSL made donations to the Hornsby Ku-ring-gai Women’s Shelter and was then able to raise further funds by rallying its support base. We have calculated that the Women’s shelter yielded a 10-20X return on the funds we donated. In the future we not only want to raise further funds through an existing support base but seek a multiplier through suppliers who can provide goods and services at a lower cost.
2. **Perpetual** – can this donation keep giving every year? A physical shelter can keep giving every year – it has long term benefits.
3. **Scalable** – can we take learnings from these donations and repeat?

   Perhaps it is another shelter in the lower north shore in Sydney, but what if we communicated a success story with other Community Banks? Could we scale the idea across the whole of Sydney, New South Wales, the entire country and to other types of organisations? Scalable ‘giving’ in banking could make us relevant and unique.

$500,000 commitment to community over the next 3 years

Your Board has committed to donating $500,000 to the community over the next three years. Importantly, this commitment has already been funded through KFSL’s profits to date and will provide KFSL with anopportunity to deliver multiplied value through perpetual and scalable offerings.

Green shoots

As mentioned, during the year, and with the assistance of several of our board members, we hired an excellent new branch manager – we are very happy with Mirella and we look forward to continue to support her, as well as a recently hired new mobile lender. Your board will continue to play a part in attracting further strong candidates to KFSL in the future.

While it is early days, we have noted some recent growth in our customers. In my opinion, Bendigo and Adelaide Bank, our franchisor is happy with both the Board and KFSL’s progress and we welcome you and our customers to speak to Brendan Hendry, State Manager NSW-ACT, should you have the opportunity to do so.

The Board recognizes that Bendigo and Adelaide Bank is a strong franchisor with which we need to forge an ever closer working relationship in order to create value for all of our stakeholders. We can win more with Bendigo and Adelaide Bank’s help and with that you, our customers, our community and other stakeholders, will also win.

Our people

There has been change in the KFSL Board over the year as several, long serving, members have retired or moved on to other endeavors. We have had new, highly competent, people join too, to take us into the next chapter. Alan Bardwell, our previous Chairman, stepped down and we thank him for his contribution, leadership and commitment. Linda McDonald retired as she had served the maximum time for the board – we thank Linda for her tireless commitment, contribution and ideas. The board tenure policy exists as it is good corporate governance to have a maximum term (10 years) and it allows new members to join too. Himal Randeniya resigned due to time commitments, and we thank him for his ideas, enthusiasm and entrepreneurial spirit. Tony Carr resigned during the year as the success of his daily business potentially |put our operations into a more competitive trajectory with each other. I was delighted that during the year the Board appointed Zoe Baker and Catherine Harris who have immediately brought energy, focus and commercial ideas to the board.

We have had changes in our staff too, with the addition of a committed new branch manager, Mirella Yacoub, a new mobile lender, Peter Lau, who have both hit the ground running. We recently noted that our branch performance levels/metrics are at record levels – meaning that we are operating the branch more commercially and this is thanks to teamwork both in the business and with a closer relationship with Bendigo and Adelaide Bank too. We thank some departing members of the team, Dianne Smith, Ruth Maher and Vikki Atkins for their long contributions to the branches – our customers will remember them fondly for their friendliness and dedication.

Building the future board

As the new Chairman I have been able to attract individuals, along with my fellow board members, that can steer KFSL over the next 5-10 years. They are focused on a commercial, digital future, that suit each of our customers better. We have strong skills in people and culture, legal, accounting and finance, entrepreneurship and experience operating in a franchise.

As and when board seats become available, I recommend that we be patient and ensure that we bring on people with skills and experience that complement the Board's existing breadth and depth of experience. My point here is that the Board is operating well, has achieved a lot and should selectively add key people with skills of the future, such as digitisation/content creation, business to consumer internet experience, experience in creating bespoke financial or other consumer solutions and commercial partnerships.

Achievements in the Past Year

- Achieved record profits and distributed the largest dividend in company history.
- Brought on board an exceptional branch manager.
- Focused on improving commercial operations and aligning with Bendigo Bank's systems.
- Added a strong mobile lender to stimulate loan business growth.
- Strengthened our partnership with Bendigo and Adelaide Bank.
- Successfully completed the challenging closure of Community Bank Turramurra.
- Commenced the expansion of our customer base.
- Developed a clear strategy for our giving and explored methods to connect to business growth.
- Actively engaged in identifying and attracting future, high-calibre board members.

Voting at the AGM and your shares: Voting matters

For this AGM I would ask that you read my letter when considering the nominations and, where you are not able to attend, to provide me with your proxy vote. The Board has achieved a lot, operating metrics are turning in the right direction and the focus on the loan book is working. It has achieved record results, made some difficult decisions with the medium to long-term in mind and I'd ask that you support us so that we can continue to deliver results. We have plans on how to make the bank more relevant and to scale our giving so that it makes a much bigger splash.

Closing

In summary, thank you for your support over the past year in which we have been able to achieve so much. Yes, it has been difficult, but rewards are seldom achieved when one follows the easier, less risky path or ignores the problems, hoping they will go away. We have enhanced KFSL's value both for now and the longer term and we look forward to continuing to do so for you, our customers, our community and all our other stakeholders.

Connor Grindlay

Branch Manager's Report

For year ending 30 June 2023

To our Shareholders and Customers

My name is Mirella Yacoub, and I am the new Branch Manager at the Community Bank Lindfield & Districts. I have over 25 years' experience in Australia's financial services and insurance industry.

I am extremely excited to have joined a bank who's values & principles are very much aligned to my own, primarily the focus on customers, and giving back to the community. I would like to thank the Board for this opportunity and for having the confidence in me to deliver on our giving strategy.

- Multiplier
- Scalable
- Perpetual

In FY2022-23 Ku-ring-Gai Financial Services Limited revenue was $3.92m. which is mainly margin income. The margin earning portfolio on 30 June 2023 was $429.4m, of which deposits were $301m and loans were $128.4m.

To Our Community

Community banking **is based on a 'profit-with-purpose' model,** which means our profits are returned directly to the community that has generated them.

Building relationships with the local community group & charities has been key to our success, and on that note, I would like to thank all those involved for their advocacy & ongoing support.

The team

Our team are extremely focused on collaborating with our customers to achieve their personal financial goals. Please meet our dedicated, passionate, and friendly team at our branch who strive to provide a seamless customer experience.

Mirella Yacoub: Branch Manager

Michele Ferris: Branch: Operations Manager

Warren Dwyer: Business: Development Manager

Peter Lau: Mobile Relationship Manger

Sharon Franke: Community Engagement Advisor

Hira Mughal: Customer Relationship Officer

Pooja Ram: Customer Relationship Manager

We are truly fortunate at the Community Bank Lindfield & Districts to have a very experienced team, who make you feel you are the most important.

I would also like to thank and acknowledge the team for their continuous support throughout this year. They have kept our customers at the forefront of everything we do, to ensure we deliver a delightful experience to all who visit our branch, and to those in the community.

Mirella Yacoub
Branch Manager
Community Bank Lindfield & Districts

Community Engagement Report

I am delighted to present our Community Engagement Report for the past year, highlighting our initiatives, achievements, and the positive impact we've had on our local community.

After a two-year hiatus due to COVID-19, we successfully hosted our second Community Pitch event in October. Thanks to the support of 23 local businesses and community-minded individuals, we raised $56,400, including our Community Bank's pledge of $26,000, which was distributed to ten remarkable local community organisations. This event not only strengthens our ties with local businesses but also allows us to forge new relationships within the community.

Our Staff Grants Program remains a highlight of the year. Each staff member selects a community organisation to receive a $1,000 donation. The program fosters connections among various organisations, creating a network that goes beyond financial support. A memorable example from 2022 is our subsequent partnership with the West Pymble Football Club's Special Needs Team, who now proudly wear jerseys featuring our logo.

Launch of GEM Program

We collaborated with our Community Partners, Hornsby Ku-ring-gai Women's Shelter and KYDS Youth Development Service, to establish regular giving programs: the GEM (Giving Every Month) Program and KYDS Collective. These programs provide a dependable donation base, and to incentivize donors, we matched first contributions from their launch through to the end of the financial year.

We proudly sponsored Lifeline Harbour to Hawkesbury Sydney's community dialogue on strengthening wellbeing and resilience in our community, reducing the risk and incidence of suicide, and fostering collaboration across mental health support

International Nurses Day

organisations, local councils, NSW Police and other interested parties.

It was with great pleasure that we once again attended International Nurses Day at the Hornsby Ku-ring-gai Hospital to say thank you to the local health care workers who have looked after our community with such care.

Community Pitch 2022

Throughout the year, we extended financial support to 38 community groups. Our focus on connecting these groups, partnering in projects, and amplifying our giving has remained steadfast. While we have continued to provide sponsorship to a limited number of local community and sporting groups, we again primarily supported charitable organisations to create a positive impact on the broader community.

In the past year, we contributed a total of $93,484 to the local community through grants, donations, and sponsorships. This figure grew to an impressive $172,650 through initiatives like Community Pitch 2022, the Hornsby Ku-ring-gai Women's Shelter's GEM program, and the KYDS Collective regular giving program.

During the year our staff have continued to give of their own time to support the local community. Our cumulative contributions to local community groups, including shareholders, since the company's inception is now $3,298,191. We eagerly anticipate another year of creating a positive impact in our community.

Sharon Franke
Community Development Manager

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

FINANCIAL REPORT - 30 JUNE 2023

Ku-ring-gai Financial Services Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Jason Conor Grindlay
Title:	Non-executive director
Experience and expertise:	Jason holds a Masters degree in Civil Engineering (Hons) with European Studies (Spanish) from the University of Bristol, U.K. He worked in Investment banking at Credit Suisse in London and New York before moving to the Institutional buy-side in several multi-billion dollar funds. He has invested in companies across all sectors and continents. In recent years he has invested and run private companies and this experience is particularly helpful in his role on the board at KFSL. Models that create multiplier outcomes for social good (for example education) are a focus and the attraction of KFSL is that a profitable enterprise can create perpetual good in its local community by deploying part of its profits. A healthy KFSL means more good and impact in the communities in which it serves.
Special responsibilities:	Chair, Member of Customer and Community Committee

Name:	Sara Adams
Title:	Non-executive director
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, Chair of the HR Committee

Name:	Christopher Bradley Williamson
Title:	Non-executive director
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 the Finance, Risk and Governance Committee

Name:	Adrian Gordon Fong
Title:	Non-executive director
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:	Chair of Finance, Risk and Governance Committee

Name:	Stephen Peter Brickett
Title:	Non-executive director (appointed 25 July 2022)
Experience and expertise:	BCompt (Honours), Chartered Accountant. Based in Sydney, Stephen has over 20 years' experience in both professional services and listed global financial services organisations in South Africa, the United Kingdom and Australia. Stephen is currently a General Manager: Finance for a leading medical defence organisation. He has previously held the positions of a Division Director and Chief Accountant, leading finance functions at ASX and other listed organisations. In these roles he was responsible for overseeing numerous finance functions, including group reporting (statutory, regulatory and integrated), tax, accounting policy and financial control and serving as a Board Director on a securitisation vehicle. Stephen lives in Turramurra and is an active member in his children's school and sporting activities.
Special responsibilities:	Member of Finance, Risk & Governance Committee

Name:	Catherine Anne Harris
Title:	Non-executive director (appointed 9 March 2023)
Experience and expertise:	Catherine Harris is an experienced Human Resources Specialist with over 20 years' experience working across a variety of industries. Her experience has been gained working with multi-national, not-for-profits, Government, and small-to-medium companies. Currently founder and managing director of Project Roar, a coaching and facilitation organisation specialising in talent, career and leadership areas. Prior to her current role, she held positions as Business Manager and Head of Talent Acquisition at SingTel Optus. Dedicated to community engagement and giving back, she's taken on numerous roles, from managing a cricket team to leading as an age manager at Nippers, actively contributing to her local public school's P&C, and enthusiastically participating in a variety of fundraising endeavours. Catherine has a Postgraduate Certificate in Career Development from SRI, Master of Business Administration from Macquarie Graduate School of Management and a Bachelor of Arts majoring in Psychology from Macquarie University. She brings strong understanding of Human Resources, business acumen, strategic awareness, sales and marketing.
Special responsibilities:	Nil

Name:	Zoe Gilliland
Title:	Non-executive director (appointed 5 February 2023)
Experience and expertise:	Zoe is a results-driven and optimistic business professional with over 20 years' experience in sales, marketing and retail. Zoe's success in increasing market adoption across Sydney's North Shore and throughout Australia is testament to her expertise in creating and executing highly targeted marketing campaigns. By capitalising on local connections, devising innovative campaigns, and embracing a willingness to try new things, she has consistently demonstrated a track record of enhancing and expanding revenue streams in both corporate and entrepreneurial ventures. Zoe has developed sound commercial and business acumen over many years in senior leadership roles with companies such as Oracle and Optus, where she has overseen a half-billion-dollar enterprise and propelled her own thriving small business to succeed. Combining her wealth of business knowledge with her history in fundraising through her efforts with Fight on the Beaches, the local Lions Club Christmas Carols, her children's schools, and most recently with Bendigo Community Bank Lindfield & Districts, she is excited to continue this work in the local North Shore community.
Special responsibilities:	Member of the HR Committee

Name:	Himal Suneth Randeniya
Title:	Non-executive director (resigned 29 May 2023)
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 the Customer and Community Committee

Name:	Linda June McDonald
Title:	Non-executive director (retired 3 January 2023)
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 the HR Committee

Name:	Alan James Bardwell
Title:	Non-executive director (resigned 3 January 2023)
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 deputy Chairman of Australian Military Bank and a non-executive director of ClearView Life Nominees Pty Ltd and the Financial Services Institute of Australasia. Alan is also Chairman of the Market Supervision and Compliance Committee that advises the Board of the Sydney Stock Exchange. Alan served as Chairman of RT Health Limited and as a director of Transport Health Pty Ltd until 1 November 2021. 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:	Member of the HR Committee and the Finance, Risk and Governance Committee.

Name:	Anthony Mostyn Carr
Title:	Non-executive director (resigned 29 August 2022)
Experience and expertise:	Tony Carr is a Non-Executive Director, Councillor, Treasurer, Committee Member & Chair and Director with over twenty years of board level experience across the public, commercial & not for profit sectors with expertise in Banking and Financial Services , and in addition - Local Government and Health Care industries.

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

Company secretary
There have been two company secretaries holding the position during the financial year:

- Joy Lenore Rollason was appointed company secretary on 30 June 2023.
- Viktoriya Kravets was appointed company secretary on 8 February 2021 and resigned on 30 June 2023.

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 this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $1,336,927 (30 June 2022: $277,228).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Dividends
During the financial year, the following dividend was provided for and paid.

	2023 **$**
Fully franked dividend of 7.25 cents per share (2021: 6.25 cents)	163,204

Significant changes in the state of affairs
Other than as mentioned above in the review of operations, there were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
For the financial year ended 30 June 2023, the Company has declared a final dividend of 19.16c per share comprising of a current year dividend of 7.39c per share and a 11.77c per share special dividend. The dividend is payable to shareholders that are registered with KFSL at the close of business on Friday, 20 October 2023, and will be paid on Wednesday, 8 November 2023.

The Board of Ku-ring-gai Financial Services Limited, operators of the Community Bank branches at Turramurra and Lindfield, decided that it would close its Turramurra branch. This decision was carefully considered and is the result of primary factors that included (i) the growing trend of our customers to move away from in-branch transactions and towards online and phone banking platforms (ii) the rising cost of in-branch transactions and the declining volume of transactions to support such costs, and (iii) the lease that ended in early August 2023. This decision was supported by Bendigo and Adelaide Bank Ltd and the Turramurra branch closed on Friday, 14 July 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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

	Board	
	E	A
Jason Conor Grindlay	11	10
Sara Adams	11	11
Christopher Bradley Williamson	11	11
Adrian Gordon Fong	11	11
Stephen Peter Brickett	11	11
Catherine Anne Harris	6	6
Zoe Gilliland	10	10
Himal Suneth Randeniya	10	8
Linda June McDonald	7	6
Alan James Bardwell	6	6
Anthony Mostyn Carr	2	2

E: Eligible
A: Attended

Eligible: represents the number of meetings held during the time the director held office.

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 of which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 to the financial statements.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Balance at the end of the year
Jason Conor Grindlay	-	17,000
Sara Adams	-	-
Christopher Bradley Williamson	-	-
Adrian Gordon Fong	-	-
Stephen Peter Brickett	-	3,000
Catherine Anne Harris	-	-
Zoe Gilliland	-	-
Himal Suneth Randeniya	-	-
Linda June McDonald	6,000	N/A
Alan James Bardwell	1,000	N/A
Anthony Mostyn Carr	-	N/A

Indemnity 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.

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*.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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
- the non-audit services provided do not 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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

____
Jason Conor Grindlay
Chair

25 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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 2023, 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: 25 September 2023

Joshua Griffin
Lead Auditor

Ku-ring-gai Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	7	3,920,290	2,329,095
Other revenue		24,773	7,019
Finance revenue	8	74,165	6,351
Total revenue		4,019,228	2,342,465
System costs	9	(73,794)	(85,250)
Advertising and marketing costs		(145,655)	(105,410)
Employee benefits expense	9	(1,011,545)	(1,031,043)
Occupancy and associated costs		(48,548)	(43,619)
Depreciation and amortisation expense	9	(255,776)	(255,196)
General administration expenses		(255,672)	(249,416)
Finance costs	9	(43,675)	(52,297)
Total expenses before community contributions and income tax		(1,834,665)	(1,822,231)
Profit before community contributions and income tax expense		2,184,563	520,234
Charitable donations and sponsorships expense		(398,400)	(147,586)
Profit before income tax expense		1,786,163	372,648
Income tax expense	10	(449,236)	(95,420)
Profit after income tax expense for the year attributable to the ordinary shareholders of Ku-ring-gai Financial Services Limited	21	1,336,927	277,228
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the ordinary shareholders of Ku-ring-gai Financial Services Limited		1,336,927	277,228
		Cents	**Cents**
Basic earnings per share	29	59.39	12.32
Diluted earnings per share	29	59.39	12.32

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Ku-ring-gai Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	11	3,819,270	2,379,815
Trade and other receivables	12	357,902	248,891
Total current assets		4,177,172	2,628,706
Non-current assets			
Property, plant and equipment	13	45,156	72,532
Right-of-use assets	14	248,813	933,462
Intangible assets	15	8,188	34,556
Deferred tax asset	10	85,290	90,300
Total non-current assets		387,447	1,130,850
Total assets		4,564,619	3,759,556
Liabilities			
Current liabilities			
Trade and other payables	16	164,057	163,580
Lease liabilities	17	133,867	204,953
Current tax liabilities	10	374,920	26,139
Employee benefits	18	164,180	152,590
Total current liabilities		837,024	547,262
Non-current liabilities			
Lease liabilities	17	178,698	829,598
Employee benefits	18	144	22,621
Provisions	19	64,310	49,355
Total non-current liabilities		243,152	901,574
Total liabilities		1,080,176	1,448,836
Net assets		3,484,443	2,310,720
Equity			
Issued capital	20	1,258,525	1,258,525
Retained earnings	21	2,225,918	1,052,195
Total equity		3,484,443	2,310,720

The above statement of financial position should be read in conjunction with the accompanying notes

Ku-ring-gai Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021		1,258,525	915,660	2,174,185
Profit after income tax expense		-	277,228	277,228
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	277,228	277,228
Transactions with ordinary shareholders in their capacity as ordinary shareholders:				
Dividends provided for	23	-	(140,693)	(140,693)
Balance at 30 June 2022		1,258,525	1,052,195	2,310,720

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2022		1,258,525	1,052,195	2,310,720
Profit after income tax expense		-	1,336,927	1,336,927
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	1,336,927	1,336,927
Transactions with ordinary shareholders in their capacity as ordinary shareholders:				
Dividends provided for	23	-	(163,204)	(163,204)
Balance at 30 June 2023		1,258,525	2,225,918	3,484,443

The above statement of changes in equity should be read in conjunction with the accompanying notes

Ku-ring-gai Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,245,563	2,517,325
Payments to suppliers and employees (inclusive of GST)		(2,307,540)	(1,908,739)
Interest received		38,252	6,503
Income taxes paid		(95,445)	(54,004)
Net cash provided by operating activities	28	1,880,830	561,085
Cash flows from investing activities			
Payments for property, plant and equipment		(3,924)	(39,936)
Payments for intangible assets		(27,834)	(26,368)
Net cash used in investing activities		(31,758)	(66,304)
Cash flows from financing activities			
Dividends paid	23	(163,204)	(140,693)
Repayment of lease liabilities	17	(246,413)	(242,622)
Net cash used in financing activities		(409,617)	(383,315)
Net increase in cash and cash equivalents		1,439,455	111,466
Cash and cash equivalents at the beginning of the financial year		2,379,815	2,268,349
Cash and cash equivalents at the end of the financial year	11	3,819,270	2,379,815

The above statement of cash flows should be read in conjunction with the accompanying notes

Ku-ring-gai Financial Services Limited
Notes to the financial statements
30 June 2023

Note 1. Reporting entity

The financial statements cover Ku-ring-gai Financial Services Limited (the company) as an individual entity which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 318 Pacific Highway Lindfield NSW 2070.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

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 comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2023. The directors have the power to amend and reissue the financial statements.

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 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and did not have a material impact to the current period.

Note 4. Significant accounting policies

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

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is held primarily for the purpose of trading and it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle within 12 months after the reporting period, or the asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment
Financial assets
Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss.

Note 4. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poor's, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets 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 any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Goods and Services Tax (GST)
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.

Note 5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets
The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 5. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset are recognised in profit or loss.

Note 6. Economic dependency

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.

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 borne by Bendigo Bank 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.

Note 6. Economic dependency (continued)

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 several operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 7. Revenue from contracts with customers

	2023 $	2022 $
Margin income	3,530,027	2,004,006
Fee income	102,944	101,700
Commission income	287,319	223,389
	3,920,290	2,329,095

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 to be 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.

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 stream	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 GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are 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, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Note 7. Revenue from contracts with customers (continued)

Margin
Margin on core banking products 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 generated from the sale of products and services. 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. The receipt of ongoing trailing commission income is outside the control of the company and is 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.

Fee income
Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank 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.

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 may 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.

Note 8. Finance revenue

	2023 $	2022 $
Interest revenue	74,165	6,351

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

Note 9. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	786,884	830,963
Non-cash benefits	2,080	748
Superannuation contributions	89,423	86,386
Expenses related to long service leave	3,823	12,614
Other expenses	129,335	100,332
	1,011,545	1,031,043

Expenses relating to low-value leases

	2023 $	2022 $
Expenses relating to low-value leases	24,391	33,858

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

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 Leases*. Expenses relating to low-value leases are included in system costs expenses.

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	19,260	23,273
Furniture and fittings	5,176	4,858
Office equipment	163	-
Motor vehicles	6,701	2,589
	31,300	30,720
Depreciation of right-of-use assets		
Leased land and buildings	198,108	198,108
Amortisation of intangible assets		
Franchise fee	4,395	4,395
Franchise renewal process fee	21,973	21,973
	26,368	26,368
	255,776	255,196

Finance costs

	2023 $	2022 $
Lease interest expense	41,459	50,177
Unwinding of make-good provision	2,216	2,120
	43,675	52,297

Note 9. Expenses (continued)

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

Note 10. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	444,226	90,597
Movement in deferred tax	5,010	4,823
Aggregate income tax expense	449,236	95,420
Prima facie income tax reconciliation		
Profit before income tax expense	1,786,163	372,648
Tax at the statutory tax rate of 25%	446,541	93,162
Tax effect of:		
Non-deductible expenses	2,695	2,258
Income tax expense	449,236	95,420

Effective tax rate is 25.2% (2022: 25.6%)

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	10,130	4,026
Employee benefits	51,394	48,133
Lease liabilities	78,141	258,638
Provision for lease make good	16,078	12,339
Income accruals	(9,438)	(460)
Right-of-use assets	(62,204)	(233,366)
Expense accuals	1,189	990
Deferred tax asset	85,290	90,300

	2023 $	2022 $
Provision for income tax	374,920	26,139

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current 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.

Note 10. Income tax (continued)

Accounting policy for 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.

Note 11. Cash and cash equivalents

	2023 $	2022 $
Cash on hand	354	400
Cash at bank	952,729	613,228
Term deposits	2,866,187	1,766,187
	3,819,270	2,379,815

Accounting policy for 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.

Note 12. Trade and other receivables

	2023 $	2022 $
Trade receivables	314,265	239,790
Accrued income	37,751	1,838
Prepayments	5,886	7,263
	43,637	9,101
	357,902	248,891

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 13. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	423,946	420,929
Less: Accumulated depreciation	(414,292)	(395,032)
	9,654	25,897
Furniture and fittings - at cost	94,838	94,838
Less: Accumulated depreciation	(77,596)	(72,420)
	17,242	22,418
Motor vehicles - at cost	26,806	26,806
Less: Accumulated depreciation	(9,290)	(2,589)
	17,516	24,217
Office equipment - at cost	907	-
Less: Accumulated depreciation	(163)	-
	744	-
	45,156	72,532

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $	Furniture and fittings $	Office equipment $	Motor vehicle $	Total $
Balance at 1 July 2021	36,285	27,031	-	-	63,316
Additions	12,885	245	-	26,806	39,936
Depreciation	(23,273)	(4,858)	-	(2,589)	(30,720)
Balance at 30 June 2022	25,897	22,418	-	24,217	72,532
Additions	3,017	-	907	-	3,924
Depreciation	(19,260)	(5,176)	(163)	(6,701)	(31,300)
Balance at 30 June 2023	9,654	17,242	744	17,516	45,156

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	4 to 10 years
Furniture and fittings	1 to 40 years
Motor vehicle	4 years
Office equipment	3 to 5 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is the shorter.

Note 13. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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 14. Right-of-use assets

	2023 $	**2022 $**
Land and buildings	1,036,601	1,523,141
Less: Accumulated depreciation	(787,788)	(589,679)
	248,813	933,462

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $
Balance at 1 July 2021	1,131,570
Depreciation expense	(198,108)
Balance at 30 June 2022	933,462
Remeasurement adjustments	(486,541)
Depreciation expense	(198,108)
Balance at 30 June 2023	248,813

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Following the decision to close the Company’s Turramurra branch, the Company remeasured its right-of-use asset for this premises. This remeasurement, together with the remeasurement of the associated lease liability (refer to note 17) has been recognised in other revenue.

Refer to note 17 for more information on lease arrangements.

Note 15. Intangible assets

	2023 $	2022 $
Franchise fee	118,992	118,992
Less: Accumulated amortisation	(117,626)	(113,231)
	1,366	5,761
Franchise renewal fee	244,949	244,949
Less: Accumulated amortisation	(238,127)	(216,154)
	6,822	28,795
	8,188	34,556

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2021	10,156	50,768	60,924
Amortisation expense	(4,395)	(21,973)	(26,368)
Balance at 30 June 2022	5,761	28,795	34,556
Amortisation expense	(4,395)	(21,973)	(26,368)
Balance at 30 June 2023	1,366	6,822	8,188

Accounting policy for intangible assets
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys 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	Expiry/renewal date
Franchise Fee	Straight-line	Over the franchise term (5 years)	October 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	October 2023

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

Change 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 16. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	21,872	17,274
Other payables and accruals	142,185	146,306
	164,057	163,580

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Note 17. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	144,733	246,413
Unexpired interest	(10,866)	(41,460)
	133,867	204,953
Non-current liabilities		
Land and buildings lease liabilities	184,346	908,249
Unexpired interest	(5,648)	(78,651)
	178,698	829,598
	312,565	1,034,551

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	1,034,551	1,226,996
Remeasurement adjustments	(517,032)	-
Lease interest expense	41,459	50,177
Lease payments - total cash outflow	(246,413)	(242,622)
	312,565	1,034,551

Maturity analysis

	2023 $	2022 $
Not later than 12 months	144,733	246,413
Between 12 months and 5 years	184,346	783,544
Greater than 5 years	-	124,705
	329,079	1,154,662

Note 17. Lease liabilities (continued)

Accounting policy for 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.

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 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 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.

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.

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 nil.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Lindfield branch	4.40%	5 years	N/A	N/A	November 2025
Turramurra branch	4.40%	N/A	5 years	No	August 2023

Remeasurement adjustments
Following the decision during the year to close the Company’s Turramurra branch, the Company remeasured its lease liability for this premises. This remeasurement, together with the remeasurement of the associated its right-of-use asset (refer to note 14) has been recognised in other revenue.

Note 18. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	81,807	86,470
Long service leave	82,373	66,120
	164,180	152,590
Non-current liabilities		
Long service leave	144	22,621
	164,324	175,211

Accounting policy for 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.

Note 18. Employee benefits (continued)

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. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position. Consideration is given to expected future wage and salary levels plus related on-costs.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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 19. Provisions (lease make good)

	2023 $	2022 $
Lease make good provision	64,310	49,355

Lease make good provision
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 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. The leases are due to expire as follows at which time it is expected the costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Estimated future provisions
Lindfield	November 2025	$35,000
Turramurra	August 2023	$32,767

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. The provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 20. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	1,326,925	1,326,925	1,326,925	1,326,925
Bonus shares (1:1)	924,160	924,160	-	-
Less: Equity raising costs	-	-	(68,400)	(68,400)
	2,251,085	2,251,085	1,258,525	1,258,525

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

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 (refer later).

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

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

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"), being 343. As at the date of this report, the company had 485 shareholders (2022: 486 shareholders).

Note 20. Issued capital (continued)

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 their associates) has a prohibited shareholding interest in 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 21. Retained earnings

	2023 $	2022 $
Retained earnings at the beginning of the financial year	1,052,195	915,660
Profit after income tax expense for the year	1,336,927	277,228
Dividends paid (note 23)	(163,204)	(140,693)
Retained earnings at the end of the financial year	2,225,918	1,052,195

Note 22. Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitors 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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 sponsorships. Charitable donations and sponsorships paid for the financial year 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.

Note 23. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2023 $	2022 $
Fully franked dividend of 7.25 cents per share (2021: 6.25 cents)	163,204	140,693

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	495,430	488,324
Franking credits arising from income taxes paid	95,445	54,004
Franking debits from the payment of franked distributions	(54,401)	(46,898)
	536,474	495,430
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	536,474	495,430
Franking credits (debits) that will arise from payment (refund) of income tax	374,920	26,139
Franking credits available for future reporting periods	911,394	521,569

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%.

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 24. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	352,016	241,628
Cash and cash equivalents	3,819,270	2,379,815
	4,171,286	2,621,443
Financial liabilities		
Trade and other payables	164,057	163,580
Lease liabilities	312,565	1,034,551
	476,622	1,198,131

Accounting policy for 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 debtors and creditors, accruals, 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.

Note 24. Financial instruments (continued)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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. The implementation and management of the board's risk policy has been delegated to the company's Senior Branch Manager. The board monitors compliance with this Policy to ensure that risks are appropriately mitigated.

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.

Interest-bearing assets are held with Bendigo Bank in both fixed rate term ($2,866,187 (2022: $1,766,187)) and variable rate products ($952,729 (2022: $613,228)). The balances held in fixed rate term products are subject to changes in market interest rates following the expiry and re-investment of those balances, whilst the balances held in variable rate products are subject to changes in variable market interest rates.

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 with which it held cash and cash equivalents and term deposits of $3,818,916 at 30 June 2023 (2022: $2,379,415). Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	164,057	-	-	164,057
Lease liabilities	144,733	184,346	-	329,079
Total non-derivatives	308,790	184,346	-	493,136

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	163,580	-	-	163,580
Lease liabilities	246,413	783,544	124,705	1,154,662
Total non-derivatives	409,993	783,544	124,705	1,318,242

Note 25. Key management personnel disclosures

The following persons were directors of Ku-ring-gai Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Jason Conor Grindlay	ZoeGilliland
Sara Adams	Himal Suneth Randeniya
Christopher Bradley Williamson	Linda June McDonald
Adrian Gordon Fong	Alan James Bardwell
Stephen Peter Brickett	Anthony Mostyn Carr
CatherineAnne Harris	

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

During the year a Director of the Company provide search and placement services to fill certain Company roles for which a fee of $13,260 was received.

Note 26. Transactions with related entities

There were no transactions with related parties during the current or previous financial year.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	7,200	6,400
Other services		
Taxation advice and tax compliance services	660	600
General advisory services	3,180	2,350
Share registry services	7,026	8,173
Valuation services	-	2,500
	10,866	13,623
	18,066	20,023

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	1,336,927	277,228
Adjustments for:		
Depreciation and amortisation	255,776	255,196
Lease liabilities interest	41,459	50,177
Change in operating assets and liabilities:		
Increase in trade and other receivables	(109,011)	(49,802)
Decrease in income tax refund due	-	10,454
Decrease in deferred tax assets	5,010	4,823
Decrease in trade and other payables	(2,180)	(7,165)
Increase in provision for income tax	348,781	26,139
Decrease in employee benefits	(10,887)	(8,085)
Increase in other provisions	14,955	2,120
Net cash provided by operating activities	1,880,830	561,085

Note 29. Earnings per share

	2023 $	2022 $
Profit after income tax attributable to the ordinary shareholders of Ku-ring-gai Financial Services Limited	1,336,927	277,228
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,251,085	2,251,085
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,251,085	2,251,085
	Cents	**Cents**
Basic earnings per share	59.39	12.32
Diluted earnings per share	59.39	12.32

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of Ku-ring-gai Financial Services Limited by the weighted average number of ordinary shares outstanding during the financial year.

Note 30. Commitments

The Company has committed community-related expenditure of $500,000 over the next 3 years.

The company has no other commitments that it has contracted for, other than reflected in the financial statements.

Note 31. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 32. Events after the reporting period

For the financial year ended 30 June 2023, the Company has declared a final dividend of 19.16c per share comprising of a current year dividend of 7.39c per share and a 11.77c per share special dividend. The dividend is payable to shareholders that are registered with KFSL at the close of business on Friday, 20 October 2023, and will be paid on Wednesday, 8 November 2023.

The Board of Ku-ring-gai Financial Services Limited, operators of the Community Bank branches at Turramurra and Lindfield, decided that it would close its Turramurra branch. This decision was carefully considered and is the result of primary factors that included (i) the growing trend of our customers to move away from in-branch transactions and towards online and phone banking platforms (ii) the rising cost of in-branch transactions and the declining volume of transactions to support such costs, and (iii) the lease that ended in early August 2023. This decision was supported by Bendigo and Adelaide Bank Ltd and the Turramurra branch closed on Friday, 14 July 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Ku-ring-gai Financial Services Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

____
Jason Conor Grindlay
Chair

25 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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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 (the company), which comprises:

- Statement of financial position as at 30 June 2023
- 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 2023 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.

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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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. We have nothing to report in this regard.

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.

The directors are responsible for overseeing the company's financial reporting process.

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.

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: 25 September 2023

Joshua Griffin
Lead Auditor

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communitybanklindfield

Bendigo Bank