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Ku-ring-gai

Financial Services Limited

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ABN: 56 103 129 184

Financial Statements

For the half-year ended

31 December 2016

# Ku-ring-gai Financial Services Limited

## Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2016.

### Directors

The names of directors who held office during the half-year and until the date of this report are as below:

Alan James Bardwell, Chair  
Roman Zeno Tarnawsky  
Nirmal Singh Hansra  
Linda June McDonald  
Christopher Bradley Williamson  
John Gallu  
Sara Adams  
Toni Lorraine MacDermott  
Rowenna Margaret Allabush (*appointed 22 August 2016*)  
Vera Fiala (*appointed 21 November 2016*)  
David Lawrence Pegley (*resigned 16 November 2016*)

### Principal activities

The principal activity of the company during the course of the financial period was facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

### Review of operations

The results for the comparative half years can be summarised as follows:

	Dec-16 \$000s	Dec-15 \$000s	Change %
Revenue	994	954	4
Operating Surplus	219	190	15
Community Investment	25	33	(24)
Profit before tax	194	157	23
Portfolio (\$mil)	342.7	330.2	4
Customer numbers	5,100	4,949	3

Despite a tight competitive market environment, the company increased revenue by 4% with a similar increase in total banking portfolio. With continued control over trading expenses, operating surplus increase of 15% was achieved. We continued to support our community through donations, grants and sponsorships resulting in profit before tax of \$194,071, up 23% on last year.

The profit of the company for the half year after provision for income tax was \$141,635 (2015: \$111,776). In consideration of this strong trading performance, the Board has declared a dividend of 5.5 cents per share for a total dividend of \$123,810 (June 2016: \$101,299).

### Events after the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

### Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the directors at Lindfield, New South Wales on 27



Alan James Bardwell, Director



Nirmal Singh Hansra, Director

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

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2016 there have been no contraventions of:

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 27 February 2017



**David Hutchings**  
Lead Auditor

# Ku-ring-gai Financial Services Limited

## Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2016

	2016 \$	2015 \$
Revenue from ordinary activities	993,933	954,165
Employee benefits expense	(449,464)	(398,023)
Charitable donations, sponsorship, advertising and promotion	(25,061)	(66,261)
Occupancy and associated costs	(133,027)	(144,138)
Systems costs	(59,646)	(57,069)
Depreciation and amortisation expense	(37,253)	(37,681)
General administration expenses	(95,411)	(93,806)
<b>Profit before income tax</b>	<b>194,071</b>	<b>157,187</b>
Income tax expense	(52,436)	(45,411)
<b>Profit after income tax</b>	<b>141,635</b>	<b>111,776</b>
<b>Total other comprehensive income for the half-year attributable to the ordinary shareholders of the company:</b>	<b>141,635</b>	<b>111,776</b>
<b>Earnings per Share</b>	<b>¢</b>	<b>¢</b>
Basic earnings per share:	6.29	4.97

# Ku-ring-gai Financial Services Limited

## Balance Sheet

As At 31 December 2016

	31-Dec-2016	30-Jun-2016
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,536,948	1,319,481
Trade and other receivables	219,391	198,433
<b>Total current assets</b>	<b>1,756,339</b>	<b>1,517,914</b>
<b>Non-current assets</b>		
Trade and other receivables	-	25,000
Property, plant and equipment	258,334	281,335
Intangible assets	46,833	61,086
Deferred tax assets	23,077	20,521
<b>Total non-current assets</b>	<b>328,244</b>	<b>387,942</b>
<b>TOTAL ASSETS</b>	<b>2,084,583</b>	<b>1,905,856</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	74,246	91,956
Current tax liabilities	130,412	90,713
Provisions	66,316	56,430
<b>Total current liabilities</b>	<b>270,974</b>	<b>239,099</b>
<b>Non-current liabilities</b>		
Provisions	51,707	46,490
<b>Total non-current liabilities</b>	<b>51,707</b>	<b>46,490</b>
<b>TOTAL LIABILITIES</b>	<b>322,681</b>	<b>285,589</b>
<b>NET ASSETS</b>	<b>1,761,902</b>	<b>1,620,267</b>
<b>EQUITY</b>		
Issued capital	1,258,525	1,258,525
Retained earnings	503,377	361,742
<b>TOTAL EQUITY</b>	<b>1,761,902</b>	<b>1,620,267</b>

# Ku-ring-gai Financial Services Limited

## Statement of Changes in Equity

For the half-year ended 31 December 2016

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2015</b>	1,258,525	170,998	1,429,523
Total comprehensive income for the half-year		111,776	111,776
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 31 December 2015</b>	<b>1,258,525</b>	<b>282,774</b>	<b>1,541,299</b>
<b>Balance at 1 July 2016</b>	1,258,525	361,742	1,620,267
Total comprehensive income for the half-year	-	141,635	141,635
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 31 December 2016</b>	<b>1,258,525</b>	<b>503,377</b>	<b>1,761,902</b>

# Ku-ring-gai Financial Services Limited

## Statement of Cash Flows

For the half-year ended 31 December 2016

	2016	2015
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,056,107	1,015,183
Payments to suppliers and employees	(838,488)	(874,794)
Interest received	17,122	13,630
Income taxes paid	(15,293)	9,516
<b>Net cash provided by operating activities</b>	<b>219,448</b>	<b>163,535</b>
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(26,981)	-
Loans repaid	25,000	25,000
<b>Net cash provided by/(used in) investing activities</b>	<b>(1,981)</b>	<b>25,000</b>
<b>Net increase in cash held</b>	<b>217,467</b>	<b>188,535</b>
Cash and cash equivalents at the beginning of the financial year	1,319,481	976,457
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,536,948</b>	<b>1,164,992</b>

# Ku-ring-gai Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2016

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### Note 1. Summary of significant accounting policies

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#### Statement of Compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34: Interim Financial Reporting*.

#### Basis of preparation

The half-year financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by the company during the period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and the previous corresponding interim period.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

There are no new and revised Accounting Standards or amendments thereof and Interpretations effective for the current reporting period relevant to the company that were not disclosed in the annual financial report for the year ended 30 June 2016.

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### Note 2. Events subsequent to reporting date

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There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date except for the item referred to in Note 6.

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### Note 3. Contingent assets and liabilities

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

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### Note 4. Segment reporting

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

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### Note 5. Related parties

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Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2016 annual financial report.

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### Note 6. Dividends Paid/Provided

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	2016	2015
	\$	\$
Dividends proposed and not recognised as a liability		
Fully franked dividend - 5.5 cents (2014: 4.5 cents) per share	<u>123,810</u>	<u>101,299</u>

Dividends proposed will be franked at a rate of 30% (2014: 30%).




# Ku-ring-gai Financial Services Limited

## Directors' Declaration

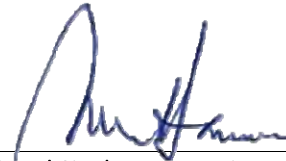
In the opinion of the directors of Ku-ring-gai Financial Services Limited ("the company"):

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
  - a. giving a true and fair view of the financial position of the entity as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
  - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Alan James Bardwell, Director



Nirmal Singh Hansra, Director

Dated this 27th day of February 2017.

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

### **Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Ku-ring-gai Financial Services Limited, which comprises the balance sheet as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### **Directors' responsibility for the half-year financial report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Ku-ring-gai Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

### **Independence**

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

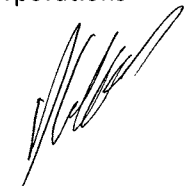
### **Auditor's opinion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ku-ring-gai Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position at 31 December 2016 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 27 February 2017



**David Hutchings**  
Lead Auditor