

Ku-ring-gai Financial Services Limited

ABN: 56 103 129 184

Financial Statements

For the half-year ended 31 December 2019

Ku-ring-gai Financial Services Limited

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2019.

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	Christopher Bradley Williamson
Roman Zeno Tarnawsky	Rowenna Margaret Allabush
Sara Adams	Himal Randeniya
John Gallu	Adrian Gordon Fong
Linda June McDonald	Amanda Faith Descoedres (<i>Appointed 22 July 2019</i>)

Principal activities

The principal activities of the company during the financial period were facilitating Community Bank services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

Review of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was:

Half-year ended	Half-year ended
31 December 2019	31 December 2018
\$	\$
91,723	171,550

New Accounting Standards implemented

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

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 Turramurra, New South Wales.

Director _____


Roman Zeno Tarnawsky

Dated this 13th day of March 2020

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 2019 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: 13 March 2020



Joshua Griffin
Lead Auditor

Ku-ring-gai Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue from ordinary activities	1,179,597	1,216,996
Employee benefits expense	(616,492)	(583,766)
Charitable donations, sponsorship, advertising and promotion	(82,628)	(69,244)
Occupancy and associated costs	(23,422)	(140,220)
Systems costs	(46,891)	(54,914)
Depreciation and amortisation expense	(134,744)	(36,533)
Finance costs	(34,805)	-
General administration expenses	(112,081)	(93,284)
Profit before income tax	128,534	239,035
Income tax expense	(36,811)	(67,485)
Profit after income tax	91,723	171,550
Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:	91,723	171,550
Earnings per share	¢	¢
- Basic and diluted earnings per share:	4.07	7.62

Ku-ring-gai Financial Services Limited

Statement of Financial Position

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,145,342	1,997,972
Trade and other receivables		214,129	200,963
Total current assets		2,359,471	2,198,935
Non-current assets			
Property, plant and equipment		129,055	152,699
Right of use assets	7	1,405,532	-
Intangible assets		100,367	113,551
Deferred tax assets		96,282	46,626
Total non-current assets		1,731,236	312,876
TOTAL ASSETS		4,090,707	2,511,811
LIABILITIES			
Current liabilities			
Trade and other payables		167,213	163,405
Current tax liabilities		21,902	4,098
Lease liabilities	7	171,053	-
Provisions		165,816	115,071
Total current liabilities		525,984	282,574
Non-current liabilities			
Trade and other payables		61,237	91,854
Lease liabilities	7	1,304,578	-
Provisions		83,509	42,550
Total non-current liabilities		1,449,324	134,404
TOTAL LIABILITIES		1,975,308	416,978
NET ASSETS		2,115,399	2,094,833
EQUITY			
Issued capital		1,258,525	1,258,525
Retained earnings	8	856,874	836,308
TOTAL EQUITY		2,115,399	2,094,833

The accompanying notes form part of these financial statements

Ku-ring-gai Financial Services Limited

Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		1,258,525	736,154	1,994,679
Total comprehensive income for the half-year		-	171,550	171,550
Balance at 31 December 2018		1,258,525	907,704	2,166,229
Balance at 1 July 2019		1,258,525	836,308	2,094,833
Cumulative retrospective effect of AASB 16: <i>Leases</i>	2	-	(71,157)	(71,157)
Restated balance at 1 July 2019		1,258,525	765,151	2,023,676
Total comprehensive income for the half-year		-	91,723	91,723
Balance at 31 December 2019		1,258,525	856,874	2,115,399

Ku-ring-gai Financial Services Limited

Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,264,297	1,275,751
Payments to suppliers and employees		(959,310)	(1,041,318)
Lease payments (interest component)	7	(33,805)	-
Interest received		26,935	20,506
Income taxes paid		(41,672)	(85,312)
Net cash provided by operating activities		256,445	169,627
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(8,991)
Payments for intangible assets		(26,368)	(26,368)
Net cash used in investing activities		(26,368)	(35,359)
Cash flows from financing activities			
Lease payments (principal component)	7	(82,707)	-
Net cash used in financing activities		(82,707)	-
Net cash increase in cash held		147,370	134,268
Cash and cash equivalents at the beginning of the financial year		1,997,972	1,912,637
Cash and cash equivalents at the end of the half-year		2,145,342	2,046,905

Ku-ring-gai Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 1. Summary of significant accounting policies

Statement of Compliance

This general purpose financial report has been 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

This 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 2019 and any public announcements made by the company during the period.

Accounting policies

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 report and the previous corresponding interim period, apart from new Accounting Standard detailed below.

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.

New Accounting Standards Implemented

The company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The company had to change its accounting policies and make adjustments as a result of adopting AASB 16.

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

Note 2. Changes in accounting policies

This note describes the nature and effect of the adoption of AASB 16 on the company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

a) Types of leases

The company has entered into non-cancellable leases on its branch premises.

b) Impact on comparatives

The company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.

Ku-ring-gai Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 2. Changes in accounting policies *(continued)*

c) Leases

The company as lessee

At inception of a contract, the company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

d) Initial application of AASB 16

The company has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under the now inoperative AASB 117: *Leases* where the company is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The company's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The following practical expedients have been used by the company in applying AASB 16 for the first time:

- A single discount rate has been applied.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

e) Financial impact

Impacts on the financial statements and notes as at and for the half-year ended 31 December 2019 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below in the noted items:

Balance sheet as at 1 July 2019	\$
Right-of-use assets	1,503,448
Make-good provision	(43,258)
Lease liabilities	(1,558,338)
Deferred tax asset	26,991
Accumulated losses	<u><u>(71,157)</u></u>
Lease liabilities reconciliation on transition	
Operating lease disclosure as at 30 June 2019	659,374
Add: additional options now expected to be exercised	1,327,663
Add: AASB 117 lease commitments reconciliation	(137,423)
Less: discounted to present value	(291,276)
Lease liability as at 1 July 2019	<u><u>1,558,338</u></u>

Lease liabilities were discounted using a weighted average discount rate of 4.40%.

Ku-ring-gai Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 2. Changes in accounting policies *(continued)*

f) Recognition exemption

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

	31-Dec-19	31-Dec-18
	\$	\$
Expenses relating to low value leases	17,771	-

Note 3. Events subsequent to reporting date

There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

Note 4. Contingent assets and liabilities

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

Note 5. Segment reporting

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.

Note 6. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2019 annual financial report.

Note 7. Leases

The company's lease portfolio includes its branch premises. The lease terms include:

- Lindfield - a branch lease which commenced on 1 December 2015 with a non-cancellable term of 5 years plus an option reasonably expected to be exercised of 5 years.
- Turrumurra - a branch lease which commenced on 4 August 2018 with a non-cancellable term of 5 years plus an option reasonably expected to be exercised of 5 years.

a) Lease liabilities

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

Ku-ring-gai Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)		
a) Lease liabilities (continued)	31-Dec-19	30-Jun-19
	\$	\$
Current:		
Branch lease liabilities	232,459	-
Unexpired interest	(61,406)	-
	<u>171,053</u>	<u>-</u>
Non-current		
Branch lease liabilities	1,500,642	-
Unexpired interest	(196,064)	-
	<u>1,304,578</u>	<u>-</u>
Impact on the current reporting period:		
Lease liabilities		
Initial recognition on adoption	1,558,338	-
Borrowing costs	33,805	-
Payments	(116,512)	-
Lease liabilities as at 31 December 2019	<u>1,475,631</u>	<u>-</u>
Maturity analysis		
- not later than 12 months	236,825	-
- between 12 months and 5 years	968,229	-
- greater than 5 years	528,047	-
	<u>1,733,101</u>	<u>-</u>
Less unexpired interest	(257,470)	-
Present value of lease liabilities	<u>1,475,631</u>	<u>-</u>
b) Right-of-use assets		
Right-of-use assets were measured at amounts equal to the present value of enforceable future payments on the commencement date.		
Impact on the current reporting period:		
Right-of-use assets		
Initial recognition on adoption	1,943,680	-
Accumulated depreciation on adoption	(440,232)	-
Depreciation expense	(97,916)	-
Right-of-use assets as at 31 December 2019	<u>1,405,532</u>	<u>-</u>

Ku-ring-gai Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)

c) Impact on the profit or loss

Comparison under current AASB 16 and former AASB 117	\$
Decrease in occupancy and associated costs	116,512
Increase in finance costs	(34,805)
Increase in depreciation and amortisation expense	(97,916)
Decrease in profit before tax	<u>(16,209)</u>
Decrease in current income tax expense	(32,041)
Increase in current income tax expense - deferred tax	36,498
Decrease in profit after tax	<u><u>(11,752)</u></u>

Note 8. Retained Earnings	31-Dec-19	30-Jun-19
	\$	\$
Balance at the beginning of the financial year	836,308	736,154
Net profit from ordinary activities after income tax	91,723	240,847
Cumulative adjustment of leases under AASB 16	(71,157)	-
Dividend paid or provided for	-	(140,693)
Balance at the end of the reporting period	<u><u>856,874</u></u>	<u><u>836,308</u></u>

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 2019 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.

Director



Roman Zeno Tarnawsky

Dated this 13 day of March 2020.

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 2019, 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 2019 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 2019 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: 13 March 2020



Joshua Griffin
Lead Auditor

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in success



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