

Ku-ring-gai Financial Services Limited

ABN 56 103 129 184

Half-year Financial Report - 31 December 2022

Ku-ring-gai Financial Services Limited

Directors' report

31 December 2022

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2022.

Directors

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

Jason Conor Grindlay (<i>elected as Chair on 28 November 2022</i>)	Stephen Peter Brickett (appointed 25 July 2022)
Sara Adams	Zoe Baker (appointed 5 February 2023)
Christopher Bradley Williamson	Anthony Mostyn Carr (resigned 29 August 2022)
Himal Suneth Randeniya	Linda June McDonald (resigned 28 November 2022)
Adrian Gordon Fong	Alan James Bardwell (resigned 28 November 2022)

Principal activity

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

Review of operations

The profit for the company after providing for income tax amounted to \$771,065 (31 December 2021: \$108,738).

As forecasted by the company and communicated as part of its continuous disclosure on 25 October 2022, the company has seen a significant increase in its revenue during the period. This as a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 2.25% during the period from 0.85% to 3.10% as at 31 December 2022. 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.

In light of the resultant strong trading result, the Board is assessing several strategic scenarios, including the consideration of the year-end dividend after taking into account the entity's full year financial result.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the company during the financial half-year.

Matters subsequent to the end of the financial half-year

Since the end of the half-year, the RBA has increased the cash rate by 0.25% from 3.10% at 31 December 2022 to 3.35% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers.

No other matter or circumstance has arisen since 31 December 2022 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 periods.

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 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Jason Conor Grindlay
Chair

28 February 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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(03) 5443 0344

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 2022 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 28 February 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin', is positioned above the printed name.

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 2022

	Note	31-Dec-22 \$	31-Dec-21 \$
Revenue from contracts with customers	2	1,962,928	1,109,865
Other revenue		3,509	3,510
Finance revenue		26,139	3,142
Total revenue		<u>1,992,576</u>	<u>1,116,517</u>
Employee benefits expense		(536,673)	(548,299)
Advertising and marketing costs		(64,191)	(48,941)
Occupancy and associated costs		(22,921)	(21,953)
Systems costs		(36,425)	(43,556)
Depreciation and amortisation expense		(126,087)	(129,443)
Finance costs		(23,134)	(27,408)
General administration expenses		(111,947)	(125,832)
Total expenses		<u>(921,378)</u>	<u>(945,432)</u>
Profit before community contributions and income tax expense		1,071,198	171,085
Charitable donations and sponsorships expense		<u>(39,960)</u>	<u>(24,600)</u>
Profit before income tax expense		1,031,238	146,485
Income tax expense		<u>(260,173)</u>	<u>(37,747)</u>
Profit after income tax expense for the half-year		771,065	108,738
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u><u>771,065</u></u>	<u><u>108,738</u></u>
		Cents	Cents
Basic earnings per share		34.25	4.83
Diluted earnings per share		34.25	4.83

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 31 December 2022

	31-Dec-22 \$	30-Jun-22 \$
Assets		
Current assets		
Cash and cash equivalents	3,102,573	2,379,815
Trade and other receivables	440,625	248,891
Total current assets	<u>3,543,198</u>	<u>2,628,706</u>
Non-current assets		
Property, plant and equipment	60,512	72,532
Right-of-use assets	833,593	933,462
Intangibles	21,264	34,556
Deferred tax assets	92,738	90,300
Total non-current assets	<u>1,008,107</u>	<u>1,130,850</u>
Total assets	<u>4,551,305</u>	<u>3,759,556</u>
Liabilities		
Current liabilities		
Trade and other payables	188,527	163,580
Lease liabilities	211,495	204,953
Current tax liabilities	272,866	26,139
Employee benefits	174,494	152,590
Total current liabilities	<u>847,382</u>	<u>547,262</u>
Non-current liabilities		
Lease liabilities	722,518	829,598
Employee benefits	12,364	22,621
Provisions	50,460	49,355
Total non-current liabilities	<u>785,342</u>	<u>901,574</u>
Total liabilities	<u>1,632,724</u>	<u>1,448,836</u>
Net assets	<u>2,918,581</u>	<u>2,310,720</u>
Equity		
Issued capital	1,258,525	1,258,525
Retained earnings	1,660,056	1,052,195
Total equity	<u>2,918,581</u>	<u>2,310,720</u>

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 half-year ended 31 December 2022

	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		-	108,738	108,738
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	108,738	108,738
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for and paid	3	-	(140,693)	(140,693)
Balance at 31 December 2021		<u>1,258,525</u>	<u>883,705</u>	<u>2,142,230</u>
Balance at 1 July 2022		1,258,525	1,052,195	2,310,720
Profit after income tax expense		-	771,065	771,065
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	771,065	771,065
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for and paid	3	-	(163,204)	(163,204)
Balance at 31 December 2022		<u>1,258,525</u>	<u>1,660,056</u>	<u>2,918,581</u>

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 half-year ended 31 December 2022

	Note	31-Dec-22 \$	31-Dec-21 \$
Cash flows generated from operating activities			
Receipts from customers (inclusive of GST)		1,996,406	1,229,845
Payments to suppliers and employees (inclusive of GST)		(955,048)	(970,097)
Interest received		10,330	4,029
Income taxes paid		(15,884)	(35,629)
		<u>1,035,804</u>	<u>228,148</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(907)	(246)
Payments for intangible assets		(26,368)	(26,368)
		<u>(27,275)</u>	<u>(26,614)</u>
Cash flows from financing activities			
Dividends paid	3	(163,204)	(140,693)
Repayment of lease liabilities		(122,567)	(120,691)
		<u>(285,771)</u>	<u>(261,384)</u>
Net increase/(decrease) in cash and cash equivalents		722,758	(59,850)
Cash and cash equivalents at the beginning of the financial half-year		<u>2,379,815</u>	<u>2,268,349</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,102,573</u></u>	<u><u>2,208,499</u></u>

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
31 December 2022

Note 1. Significant accounting policies

Statement of compliance and basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis for the interim half-year reporting period ending 31 December 2022.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the period.

Accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 2. Revenue from contracts with customers

	31-Dec-22	31-Dec-21
	\$	\$
Margin income	1,737,896	1,003,915
Fee income	48,927	51,044
Commission income	176,105	54,906
	<u>1,962,928</u>	<u>1,109,865</u>
Revenue from contracts with customers	<u>1,962,928</u>	<u>1,109,865</u>

Disaggregation of revenue

The company's franchise agreement with Bendigo Bank provides for a share of interest margin, fee and commission revenue to be earned by the company on the outstanding portfolio of loans, deposits and other business that it has sourced. The company acts as an agent under the franchise agreement with revenue being recognised at a point in time during the reporting period.

Note 3. Dividends

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

	31-Dec-22	31-Dec-21
	\$	\$
Fully franked dividend of 7.25 cents per share (31-Dec-21: 6.25 cents)	<u>163,204</u>	<u>140,693</u>

The tax rate at which dividends have been franked is 25%.

Note 4. Contingent assets and liabilities

There were no contingent assets or liabilities at the date of this report that would materially affect the financial statements at the reporting date.

Note 5. Related party transactions

There were no transactions with related parties during the current and previous financial half-year.

Ku-ring-gai Financial Services Limited
Notes to the financial statements
31 December 2022

Note 6. Events after the reporting date

Since the end of the half-year, the RBA has increased the cash rate by 0.25% from 3.10% at 31 December 2022 to 3.35% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers.

No other matter or circumstance has arisen since 31 December 2022 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 periods.

Ku-ring-gai Financial Services Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2022 and of its performance for the financial half-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 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Jason Conor Grindlay
Chair

28 February 2023



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Ku-Ring-Gai Financial Services Limited (the company), which comprises the statement of financial position as at 31 December 2022, 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the company's financial position at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 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*.

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.



Andrew Frewin Stewart
61 Bull Street, Bendigo VIC 3550
Dated: 28 February 2023



Joshua Griffin
Lead Auditor