

Kwinana Community Financial Services Ltd

ABN 89 169 535 228

Half-year Financial Report - 31 December 2022

Kwinana Community Financial Services Ltd
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:

Johannes Maria Iriks
Wayne Milnes
Stephen Paul Williams
Maxwell John Bird

Sarah Rachel Mahony
Leslie Harris Whiddett
Christopher Michael Duke
Robert George Cooper (resigned 7 December 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 \$61,842 (31 December 2021: loss of \$6,807).

The company has seen a significant increase in its revenue during the period. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 2.25% during the period moving 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.

Significant changes in the state of affairs

There were no 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% moving from 3.10% at 31 December 2022 to 3.35% as at the date of signing these accounts.

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 years.

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



Johannes Maria Iriks
Chair

21 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 Kwinana Community Financial Services Ltd

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: 21 February 2023

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

Adrian Downing
Lead Auditor

Kwinana Community Financial Services Ltd
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	3	342,840	235,840
Other revenue		7,500	15,000
Total revenue		<u>350,340</u>	<u>250,840</u>
Employee benefits expense		(177,332)	(170,574)
Advertising and marketing costs		(4,096)	(1,835)
Occupancy and associated costs		(13,635)	(11,525)
Systems costs		(12,476)	(15,111)
Depreciation and amortisation expense		(22,477)	(24,279)
Finance costs		(8,104)	(5,958)
General administration expenses		(29,297)	(28,134)
Total expenses		<u>(267,417)</u>	<u>(257,416)</u>
Profit/(loss) before community contributions and income tax (expense)/benefit		82,923	(6,576)
Charitable donations and sponsorships expense		(468)	(2,500)
Profit/(loss) before income tax (expense)/benefit		82,455	(9,076)
Income tax (expense)/benefit		(20,613)	2,269
Profit/(loss) after income tax (expense)/benefit for the half-year		61,842	(6,807)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>61,842</u>	<u>(6,807)</u>
		Cents	Cents
Basic earnings per share		5.33	(0.59)
Diluted earnings per share		5.33	(0.59)

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

Kwinana Community Financial Services Ltd
Statement of financial position
As at 31 December 2022

	31-Dec-22 \$	30-Jun-22 \$
Assets		
Current assets		
Cash and cash equivalents	8	8
Trade and other receivables	69,772	52,446
Total current assets	<u>69,780</u>	<u>52,454</u>
Non-current assets		
Property, plant and equipment	61,865	69,129
Right-of-use assets	129,957	138,621
Intangibles	32,753	39,302
Deferred tax assets	313,013	333,626
Total non-current assets	<u>537,588</u>	<u>580,678</u>
Total assets	<u>607,368</u>	<u>633,132</u>
Liabilities		
Current liabilities		
Trade and other payables	51,967	45,192
Borrowings	127,335	190,207
Lease liabilities	17,014	16,395
Employee benefits	22,704	25,708
Total current liabilities	<u>219,020</u>	<u>277,502</u>
Non-current liabilities		
Trade and other payables	14,895	29,790
Borrowings	70,371	76,479
Lease liabilities	128,916	137,660
Employee benefits	6,680	6,057
Total non-current liabilities	<u>220,862</u>	<u>249,986</u>
Total liabilities	<u>439,882</u>	<u>527,488</u>
Net assets	<u>167,486</u>	<u>105,644</u>
Equity		
Issued capital	1,120,118	1,120,118
Accumulated losses	(952,632)	(1,014,474)
Total equity	<u>167,486</u>	<u>105,644</u>

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

Kwinana Community Financial Services Ltd
Statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	1,120,118	(1,012,483)	107,635
Loss after income tax benefit	-	(6,807)	(6,807)
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	(6,807)	(6,807)
Balance at 31 December 2021	<u>1,120,118</u>	<u>(1,019,290)</u>	<u>100,828</u>
Balance at 1 July 2022	1,120,118	(1,014,474)	105,644
Profit after income tax expense	-	61,842	61,842
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	61,842	61,842
Balance at 31 December 2022	<u>1,120,118</u>	<u>(952,632)</u>	<u>167,486</u>

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

Kwinana Community Financial Services Ltd
Statement of cash flows
For the half-year ended 31 December 2022

	31-Dec-22	31-Dec-21
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	365,155	276,580
Payments to suppliers and employees (inclusive of GST)	(266,405)	(252,712)
Interest and other finance costs paid	(5,437)	(3,017)
	<u>93,313</u>	<u>20,851</u>
Cash flows from investing activities		
Payments for intangibles	(13,541)	(13,623)
	<u>(13,541)</u>	<u>(13,623)</u>
Cash flows from financing activities		
Repayment of borrowings	(6,108)	(947)
Repayment of lease liabilities	(10,792)	(10,478)
	<u>(16,900)</u>	<u>(11,425)</u>
Net increase/(decrease) in cash and cash equivalents	62,872	(4,197)
Cash and cash equivalents at the beginning of the financial half-year	(174,119)	(175,023)
Cash and cash equivalents at the end of the financial half-year	<u><u>(111,247)</u></u>	<u><u>(179,220)</u></u>

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

Kwinana Community Financial Services Ltd
Notes to the financial statements
31 December 2022

Note 1. Significant accounting policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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. Basis of preparation

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) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis.

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.

Going concern

The financial statements for the half-year ended 31 December 2022 have been prepared on the basis that the company is a going concern and it will continue its operations for the foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

	31-Dec-22	30-Jun-22	Change	Change
	\$	\$	\$	%
Current assets	69,780	52,454	17,326	33%
Current liabilities	(219,020)	(277,502)	58,482	(21%)
Working capital/(deficiency)	<u>(149,240)</u>	<u>(225,048)</u>	<u>75,808</u>	
Total assets	607,368	633,132	(25,764)	(4%)
Total liabilities	(439,882)	(527,488)	87,606	(17%)
Net assets/(liabilities)	<u>167,486</u>	<u>105,644</u>	<u>61,842</u>	
Accumulated losses	(952,632)	(1,014,474)	61,842	(6%)
Cash and cash equivalents	8	8	-	-
Available overdraft and borrowing facilities	<u>226,510</u>	<u>133,286</u>	<u>93,224</u>	70%
	31-Dec-22	31-Dec-21	Change	Change
	\$	\$	\$	%
Profit/(loss) before tax	82,455	(9,076)	91,531	(1008%)
Profit/(loss) after tax	61,842	(6,807)	68,649	(1009%)
Operating cash inflows/(outflows)	<u>93,313</u>	<u>20,851</u>	<u>72,462</u>	348%

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$300,000 and was drawn to \$111,255 as at 31 December 2022.

The company also has a loan for \$100,000 with a term of 4 years, the balance at 31 December 2022 is \$86,451.

Kwinana Community Financial Services Ltd
Notes to the financial statements
31 December 2022

Note 2. Basis of preparation (continued)

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

Whilst the current economic environment has improved with the RBA increasing the cash rate by 2.25% during the period, positively effecting revenue from margin income. The company has reported a strong net profit for the half-year of \$61,842, however the company was still reliant on the overdraft facility, current liabilities exceeded current assets by \$149,240 and the accumulated losses remains high at \$952,632. Based on this the directors have concluded that whilst the financial position of the company is improving, there is still uncertainty in future financial results that creates some doubt upon the companies ability to continue as a going concern.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the half-year financial statements.

Note 3. Revenue from contracts with customers

	31-Dec-22	31-Dec-21
	\$	\$
Margin income	302,862	196,657
Fee income	15,892	16,652
Commission income	24,086	22,531
	<u>342,840</u>	<u>235,840</u>

Disaggregation of revenue

All revenue from contracts with customers has been recognised at a point in time during the half-year.

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

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2022 annual financial report.

Note 6. Events after the reporting date

Since the end of the half-year, the RBA has increased the cash rate by 0.25% moving from 3.10% at 31 December 2022 to 3.35% as at the date of signing these accounts.

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 years.

Kwinana Community Financial Services Ltd
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



Johannes Maria Iriks
Chair

21 February 2023



Andrew Frewin Stewart
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(03) 5443 0344

Independent auditor's review report to the Directors of Kwinana Community Financial Services Ltd

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Kwinana Community Financial Services Ltd (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 Kwinana Community Financial Services Ltd 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.

Emphasis of matter

Our opinion is not modified for this matter. We draw attention to Note 2 in the financial report, which indicates that the company, as at 31 December 2022, recorded a working capital deficiency of \$149,240, with current liabilities of \$219,020 exceeding current assets of \$69,780. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern. However the company's budget for the 2023 financial year indicates an increase in revenue and profitability, supporting the director's conclusion the going concern basis is appropriate and that this position does not give rise to material uncertainty over going concern.

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

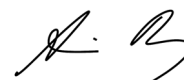
Auditor's responsibility for the review of the financial report

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: 21 February 2023



Adrian Downing
Lead Auditor