Ku-ring-gai

Financial Services Limited

Financial Statements

for the half-year ended

31 December 2010

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2010.

Directors

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

David Andrew Langdon, Chairman

Ian McArthur Pont

Ian Patrick Sweeney

Allan Peter Millard

Clive John Hodson

Roman Zeno Tarnawsky

Monika Stelzner

Michael James Cross *(appointed 22 November 2010)*

Linda June McDonald *(appointed 3 December 2010)*

Gregory Alan Norris *(resigned 16 November 2010)*

William Raymond Nevill was appointed as a director on 14 January 2011.

Principal Activities

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

Review and Results 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: $153,545 [2009: $139,008].

A feasibility study in respect of the company's proposed Community Bank(r) Branch in Lindfield has been completed and presented by AFS & Associates Pty Ltd. Subject to the directors approving a business plan that demonstrates the proposed branch in Lindfield is viable and that plan approved by Bendigo & Adelaide Bank Limited, it is the intention of the directors to revalue the company and prepare a prospectus to raise funds for the capital expenditure and working capital requirements for the proposed branch.

Matters Subsequent to the End of the Reporting Period

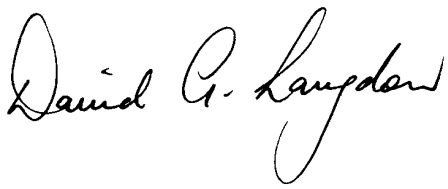
On 22 February 2011 the company's Franchise partner Bendigo and Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the revenue and profits of the company in the 2011/2012 and subsequent financial years. The Board estimates that the change will reduce revenue by $120,000 per annum based on our current portfolio. Directors will continue to monitor budgets to ensure that our returns to shareholders and the community are maximised. Further confirmation of the financial effect will be available in the 2011 Annual Report.

There are no other 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.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Signed in accordance with a resolution of the directors at Turramurra, New South Wales on 11 March 2011.



David Andrew Langdon, Chairman

Ian McArthur Pont, Director

partners in success
Chartered Accountants & Business Advisors

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Auditor's Independence Declaration

As lead auditor for the review of Ku-ring-gai Financial Services Limited for the half year ended 31 December 2010 I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 11th day of March 2011

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Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Statement of Comprehensive Income
for the half-year ended 31 December 2010

	2010 $	2009 $
Revenue from ordinary activities	751,645	678,764
Other revenue	27,399	15,076
Employee benefits expense	(288,187)	(257,559)
Charitable donations, sponsorship, advertising and promotion	(57,476)	(37,174)
Occupancy and associated costs	(66,323)	(72,936)
Systems costs	(33,174)	(24,486)
Depreciation and amortisation expense	(18,825)	(15,553)
Finance costs	(2,639)	(2,135)
General administration expenses	(97,212)	(90,772)
Profit before income tax expense	215,208	193,225
Income tax expense	(61,663)	(54,217)
Profit after income tax expense	153,545	139,008
Total comprehensive income for the year attributable to members	**153,545**	**139,008**
Earnings per Share	¢	¢
Basic for profit for the period:	16.61	15.04

The accompanying notes form part of these financial statements.

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Balance Sheet
as at 31 December 2010

	31-Dec 2010 $	30-Jun 2010 $
ASSETS		
Current Assets		
Cash assets	880,072	817,380
Trade and other receivables	147,792	132,865
Total Current Assets	**1,027,864**	**950,245**
Non-Current Assets		
Property, plant and equipment	244,285	245,126
Intangible assets	39,023	45,909
Deferred tax asset	22,320	19,626
Total Non-Current Assets	**305,628**	**310,661**
Total Assets	**1,333,492**	**1,260,906**
LIABILITIES		
Current Liabilities		
Trade and other payables	60,659	47,071
Current tax liabilities	26,804	21,677
Borrowings	16,679	19,777
Provisions	70,953	77,717
Total Current Liabilities	**175,095**	**166,242**
Non-Current Liabilities		
Borrowings	41,123	45,791
Provisions	7,530	9,500
Total Non-Current Liabilities	**48,653**	**55,291**
Total Liabilities	**223,748**	**221,533**
Net Assets	**1,109,744**	**1,039,373**
Equity		
Issued capital	883,964	883,964
Retained earnings	225,780	155,409
Total Equity	**1,109,744**	**1,039,373**

The accompanying notes form part of these financial statements.

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Statement of Changes in Equity
for the half-year ended 31 December 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	883,964	43,146	927,110
Total comprehensive income for the year	-	139,008	139,008
	883,964	**182,154**	**1,066,118**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(83,174)	(83,174)
Balance at 31 December 2009	**883,964**	**98,980**	**982,944**
Balance at 1 July 2010	883,964	155,409	1,039,373
Total comprehensive income for the year	-	153,545	153,545
	883,964	**308,954**	**1,192,918**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(83,174)	(83,174)
Balance at 31 December 2010	**883,964**	**225,780**	**1,109,744**

The accompanying notes form part of these financial statements.

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Cash Flow Statement
for the half-year ended 31 December 2010

	2010 $	2009 $
Cash Flows From Operating Activities		
Receipts from customers	816,537	675,722
Payments to suppliers and employees	(613,767)	(548,172)
Interest paid	(2,639)	(2,135)
Interest received	23,829	19,305
Income taxes paid	(59,230)	(21,946)
Net cash provided by operating activities	**164,730**	**122,774**
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(11,098)	(36,970)
Net cash used in investing activities	**(11,098)**	**(36,970)**
Cash Flows From Financing Activities		
Proceeds from borrowings	-	29,359
Repayment of borrowings	(7,766)	(25,117)
Dividends paid	(83,174)	(83,174)
Net cash used in financing activities	**(90,940)**	**(78,932)**
Net increase in cash held	62,692	6,872
Cash at the beginning of the financial year	817,380	782,978
Cash at the end of the half-year	**880,072**	**789,850**

The accompanying notes form part of these financial statements.

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
Notes to the financial statements
for the half-year ended 31 December 2010

Note 1. Basis of Preparation of the Half-Year Financial Statements

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* , Australian Accounting Standards, *AASB 134: Interim Financial Reporting,* Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 2010 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.

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Note 1. Basis of Preparation of the Half-Year Financial Statements (continued)

Adoption of new and revised Accounting Standards (continued)

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

● *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*

● *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 2. Events Subsequent to Reporting Date

On 22 February 2011 the company's Franchise partner Bendigo and Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the revenue and profits of the company in the 2011/2012 and subsequent financial years. The Board estimates that the change will reduce revenue by $120,000 per annum based on our current portfolio. Directors will continue to monitor budgets to ensure that our returns to shareholders and the community are maximised. Further confirmation of the financial effect will be available in the 2011 Annual Report.

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

Note 3. Contingent Assets and Liabilities

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

Note 4. Segment Reporting

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

Note 5. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2010 annual financial report.

Note 6. Dividends Paid/Provided

	2010 Cents	2010 $	2009 Cents	2009 $
Dividend paid in the period as recommended in the annual report:	9 cents	83,174	9 cents	83,174

100% fully franked (2009: 100%)

The tax rate at which dividends have been franked is 30% (2009: 30%).

Ku-ring-gai Financial Services Limited
ABN 56 103 129 184
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:

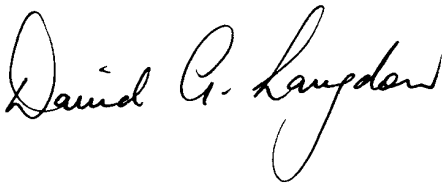
   (a) giving a true and fair view of the financial position of the entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;

   (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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the board of directors.



David Andrew Langdon, Chairman **Ian McArthur Pont, Director**

Dated this11th day of March 2011.

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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 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year then ended, selected explanatory notes and the directors' declaration.

Directors' Responsibility 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control 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 an Interim 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 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 2010 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 other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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Independence

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

Conclusion

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:

Giving a true and fair view of the company's financial position at 31 December 2010 and of 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.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 11th day of March 2011