

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2008



HAPPY 5TH BIRTHDAY



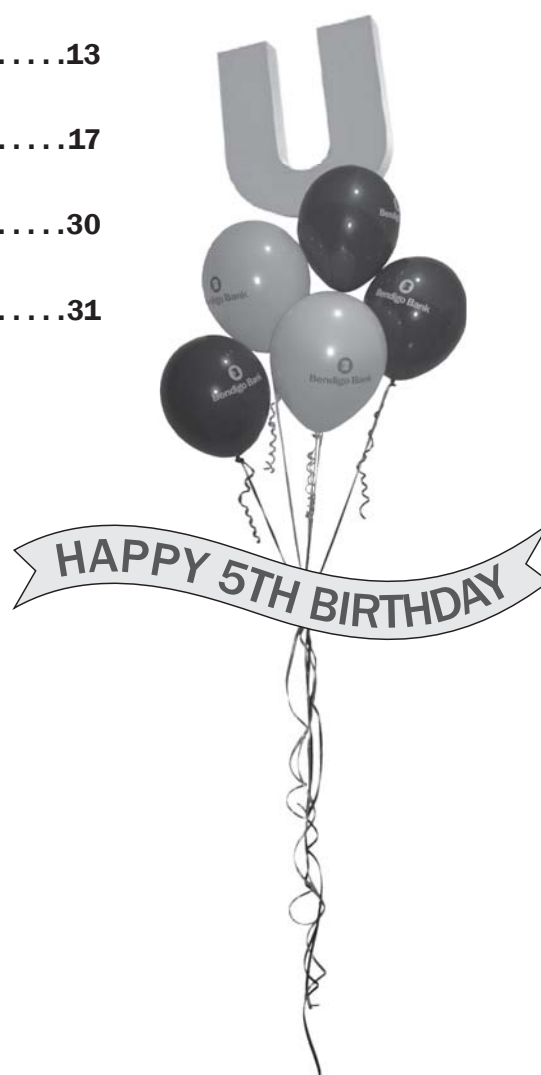
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ANNUAL REPORT 2008

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Chairman's report



It is my pleasure to report on the progress of Ku-ring-gai Financial Services Limited during the year ended 30 June 2008.

Operating results

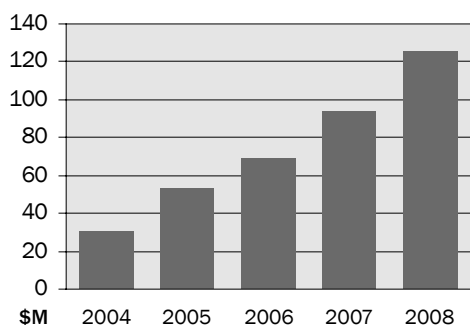
As planned, your Directors and our staff have been focused on achieving the Board's twin financial performance goals for the Company, namely to continue to strongly grow the level of business on our books (total portfolio) and thereby increase profitability, whilst significantly increasing the levels of financial and other support we provide to local clubs, charities and community organisations.

Our Turramurra **Community Bank**[®] Branch finished the 2008 financial year with a total portfolio of \$125.9 million and more than 4,000 customer accounts.

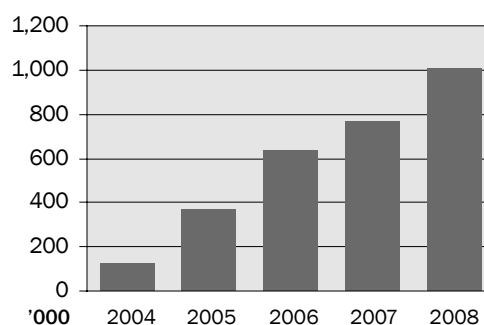
These outcomes represent increases of \$32.0 million (34.1%) and 631 (18.1%) respectively over 30 June 2007. Of this growth, our loans portfolio increased by more than \$13.2 million (30.8%) which was an outstanding achievement for a 'maturing' business in a highly-competitive environment.

As a result of this strong portfolio growth, revenue from ordinary activities grew from \$753,000 to \$980,000 during this period, an increase of 30.1%.

TOTAL PORTFOLIO



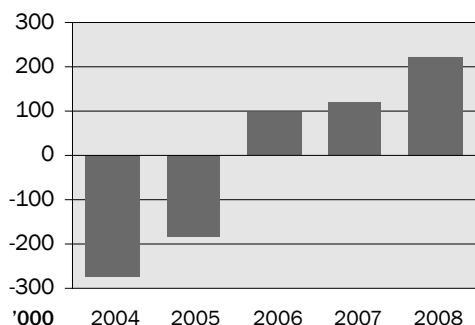
REVENUE



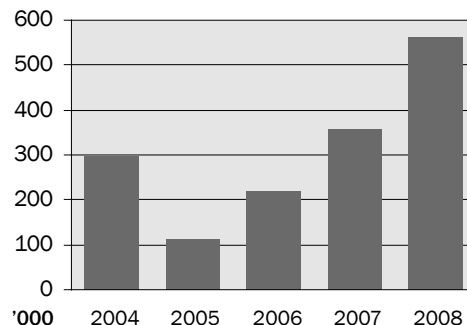
As indicated in the Directors' report, Ku-ring-gai Financial Services Limited achieved a pre-tax Profit of \$222,000 during this period (\$120,000 in 2007). After provision for income tax the profit attributable to KFSL members for the year-ended 30 June 2008 was \$163,000 (\$83,000 in 2007).

One of the pleasing consequences from our increased profitability was the continuing improvement in the strength of our balance sheet and in particular our cash assets increasing from \$358,000 to \$563,000.

NET PROFIT BEFORE TAX



CASH



Chairman's report continued

Dividend payment

Your Directors have declared an increased unfranked dividend of **5 cents** per share (at a cost of \$46,208.00) for the year ended 30 June 2008.

This dividend will be paid on 31 October 2008 in respect of all shares held at midnight on 23 October 2008.

In declaring this dividend, your Directors were cognisant of the Company's cash reserves, 2008 profitability and prospects for paying a franked dividend in fiscal 2009.

Engaging with our community

Consistent with our core philosophy of returning our profits to the community, we have substantially increased our sponsorship or other financial support to local clubs and community organisations during the past 12 months.

A significantly expanded group of recipients of such support during fiscal 2008 included the Turrumurra Bowling Club, Turrumurra High School, Kissing Point Sports Club, Ku-ring-gai Philharmonic Orchestra, Ku-ring-gai Stealers Baseball Club, OneYouth, SAN Hospital, Warrawee Bowling Club, West Pymble Bowling Club, West Pymble Football Club, Zipper & Stent Group, Network North (a business network especially for women who work on the North Shore) and the Ku-ring-gai Business Forum.

Furthermore, we formally launched the **2008 Turrumurra Community Grants Program** in May 2008 whereby local community groups and organisations which develop and enhance our Turrumurra surrounds were encouraged to apply for a community grant.

The objective of our Turrumurra Community Grants Program is to assist empowerment of community groups to get things done for the local community. Our 2008 program is being administered by Community Enterprise™ Foundation, the philanthropic arm of Bendigo Bank.

Priority will be given to projects that address the key interest areas of families, children and youth initiatives; public health programs and services; community capacity building projects; public education; innovative community services; cultural and arts initiatives; and environmental projects.

More than 40 organisations attended the launch event and formal applications for financial support were duly received from 29 organisations.

We provided an initial contribution of \$15,000 to this Program during fiscal 2008 and distributed a total of **\$25,000** to 13 local recipient groups at our inaugural Community Grants Presentation event in September. This event attracted strong community interest and attracted excellent media coverage.



Director Megan Pollard presents a Grant to Madeleine Adams representing the Ku-ring-gai Philharmonic Orchestra

Your Directors are also continuing to invest significant time and effort in the development of the youth of our community. Our well-established **Youth Observer Program** provides two year 11 students from the Turrumurra High School Business Studies course with an opportunity to gain exposure and insights into the running of a small public company – from within our boardroom.

This program also encourages and helps to prepare the participants to serve their community on a voluntary basis in the future and develops a stronger sense of community spirit.

Following the successes achieved during our initial two years, we have now taken on a fourth intake of Youth Observers for 2008/09, namely

Ashleigh Hastings and Julia Broady. As part of this program, Ashleigh and Julia attend all of our Board Meetings and Company functions.

Another major youth initiative planned for formal launching during fiscal 2009 is the establishment of a **Lead On** program within Ku-ring-gai.

Lead On is a youth focused community organisation which grows the capacity of communities by creating real world experiences for young people – by linking local youths with businesses and their local communities. Surveys of Lead On participants across Australia have found that young people gain improved ‘self confidence’, ‘self esteem’, ‘ability to talk with older people’ and a ‘sense of being part of the community’ from their Lead On experiences.

Turrumurra **Community Bank**[®] Branch, Ku-ring-gai Council and several local community leaders are working together to launch **Lead On Ku-ring-gai** which will become the first operational Lead On program in suburban Sydney.

The Directors intend to significantly increase our financial and other support of these and an expanded list of local community engagement initiatives in fiscal 2009 and beyond.

Outlook and aspirations

Reflecting a slowing economy and tighter market conditions within the financial services sector, your Directors have budgeted for a moderation of the rate of growth of our Total Portfolio during fiscal 2009.

Nevertheless, we still plan to achieve another significant increase in our profit during this period which will also erase our cumulative start-up costs.

Pleasingly, we have achieved excellent growth in July/August 2008 and have a solid pipeline of new business opportunities. Furthermore, we continue to grow our 2,300-strong customer base as the benefits arising from our increasing contributions to the community receive broader public recognition and as internal strategies to deepen our customer relationships deliver the intended outcomes.

Achievement of these financial performance goals is, of course, an essential prerequisite to our successful delivery of expanded community engagement contributions and the payment of increased dividends to our shareholders.

Accordingly, shareholders are encouraged to personally contribute to our continued growth and success by bringing **all** of their own banking business to ‘Your Bank’.



Ashleigh Hastings (far left) and Julia Broady (far right), our 2008/9 Youth Observers, are joined by Erin Gielis and Alex Tickle (2007/8) and Meredith McMahon (2005/6)

Chairman's report continued

Renewal of Franchise Agreement

The Directors have recently completed our first Franchise Renewal negotiation with Bendigo and Adelaide Bank Limited. By choosing to accept the Bank's Amending Deed, we will be granted an additional five year term (third renewal period) to our initial Franchise Agreement thereby achieving a renewal period encompassing years 16 to 20 from our original commencement date.

Directors contribution

The Directors met on a monthly basis during fiscal 2008, with the exception of December 2007, to plan and monitor the operations of our business. We also conducted our annual full-day Strategy Meeting in February 2008 to establish budgets, plans and priorities for the 2009 financial year.

At our fifth Annual General Meeting in November 2007, four new Directors were appointed. We duly welcomed new Directors Ian Clarke, Jiun Hu, Peter Millard and Megan Pollard who replaced the retiring Directors Joe Bollen, Bruce Hall, Matthew Martin and Collin Segelov on our Board.

I extend my sincere thanks to all of our past and continuing Directors, along with our outstanding Secretary/Bookkeeper/Share Registrar Julie Fidler, for the time, expertise and energy that they have individually and collectively contributed to enable the achievement of our continuing success.

Acknowledging our staff

Our Manager Denice Kelly and her team continue to deliver excellent customer service and produce outstanding results. They do this by providing local residents, traders and businesses with professional and friendly face-to-face banking and other financial services which are highly valued and appreciated by our community.

During the past year the excellence of these customer services has again received formal recognition on several occasions. Furthermore, for the second year running, the Turramurra **Community Bank**[®] Branch received the Community Engagement Award at Bendigo Bank's 2008 Annual NSW Branch Managers' Conference.

All of our staff members participated in intensive Bendigo Bank training initiatives to enhance and broaden their skills and capabilities, and thereby increase our overall capabilities, capacity and customer service levels.

During the financial year we welcomed Stacey Solness to our staff. We have also recently farewelled Jocelyn Chacon following her appointment as Branch Manager for the Berowra **Community Bank**[®] Branch. This appointment represented a significant career advancement step for Jocelyn.

As a foundation staff member in September 2003 and much loved by our Customers from our opening date, Jocelyn will be sorely missed in our Turramurra **Community Bank**[®] Branch. We thank Jocelyn for her personal contribution to the success of our Branch during the past five years, and wish her every success in her exciting new role and responsibilities.

I sincerely thank and congratulate Denice and all members of her wonderful team for their passion and commitment to servicing the needs of our customers, and for the many new milestones that they have achieved during another excellent year.

Bendigo and Adelaide Bank Limited

Shareholders will be aware that Bendigo Bank Limited merged with Adelaide Bank Limited earlier this year to create a unique customer and partner focussed financial services organisation, and duly changed its name to Bendigo and Adelaide Bank Limited.

Pleasingly, the **Community Bank**[®] model has been preserved as an integral part of Bendigo and Adelaide Bank's business model and is receiving ongoing investment from our partner. Accordingly, our Turrumurra **Community Bank**[®] Branch has been able to continue to provide outstanding service to our customers and strong financial support to our local community.

The recent 2008 National **Community Bank**[®] Conference celebrated 10 years of community banking and 150 years of Bendigo Bank's existence.

Our relationship with our partner Bendigo and Adelaide Bank remains very strong. I particularly thank the NSW Manager Chris Bone, our new Regional Manager Alex Hughes, former Regional Manager Chris Naylor and the entire Bendigo Bank **Community Bank**[®] team and Pymble-based NSW State Office personnel for the counsel, expertise and assistance provided to our staff and directors throughout the past 12 months, including their attendance at numerous Board Meetings.

Vale Arthur Stautner and Ted Davidson

Our Directors and staff were deeply saddened by the passing of foundation shareholder and supporter Ted Davidson in late 2007 and the more recent passing of inaugural Director Arthur Stautner. Both Arthur and Ted were passionate supporters and champions of the formation and development of the company and our Turrumurra **Community Bank**[®] Branch.

Conclusion

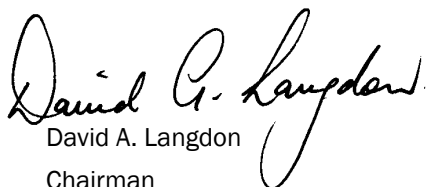
As we approach the fifth anniversary since opening, your Turrumurra **Community Bank**[®] Branch continues to be one of the fastest growing branches in Bendigo and Adelaide Bank's 200-plus **Community Bank**[®] network across Australia.

I would like to once again thank all of our Shareholders for supporting the initial establishment and continuing growth of your Turrumurra **Community Bank**[®] Branch.

I also remind you that your on-going support as customers remains invaluable in ensuring our continuing success.

I look forward to seeing as many of you as possible at our sixth Annual General Meeting (AGM) at the Turrumurra High School at 7:00 pm on Tuesday 18 November 2008. This year's AGM will be conducted in the form of a celebration of our local community involvement during the past 12 months and promises to be an exciting evening.

In the meantime, I thank you for your continuing support and encouragement.


David A. Langdon
Chairman

19 September 2008

Ted Davidson (left) and founding director Arthur Stautner were appointed Ambassadors at the 2005 Annual General Meeting



Branch Manager's report



Have you seen the new Bendigo Bank TV commercials talking about the “U” in CommUnity? At Turrumurra it all started five years ago with “U” – a group of community-minded people so worried about banking in Turrumurra that “U” decided to leverage off the Bendigo Bank model and form our own **Community Bank®** branch.

Your vision was to ensure that banking services remained in Turrumurra for the good of all the local businesses and the residents.

During 2007/08 that vision was once again firmly supported by many new and existing customers who seized the opportunity to move their banking business to their local **Community Bank®** branch.

They responded to the friendly smiles and efficient service provided by our branch staff – Jocelyn, Heather, Lisa, Jodie, Vikki, Kris, Ruth and Stacey – and recognised that the services provided are some of the best in this very competitive market.

Most customers started their relationship with a single product or service but as our customers got to know our competent staff and the availability of a full range of banking and insurance services, the relationship per person or company increased significantly and the results are evident.

However, the most satisfying feature of our success is the contribution of profits back to our local community, supporting many groups including schools, sporting clubs, not-for-profit organisations and so on.

So let us continue to look after “U” with day-to-day banking and insurance services so that we in turn can support the Turrumurra community at large.

A handwritten signature in black ink that reads "Denice Kelly". The signature is stylized with a large, sweeping underline.

Denice Kelly
Branch Manager



Back: Ruth Maher, Denice Kelly
(Branch Manager), Jocelyn Chacon,
Kris Grant, Jodie Chilvers, Vikki Atkins
Front: Lisa Palmer, Heather Leafae,
Stacey Solness

Directors' report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

DIRECTOR'S DETAILS

David Andrew Langdon

Consultant

David is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Society of Certified Practising Accountants and the Australian Computer Society. He has been a partner in Accenture, the global technology consulting firm, before retiring in 1999.

James Alan Loxton

Barrister

BA, LLB

James has practised as a barrister for 25 years, based in Queens Square Chambers, Sydney.

Stuart Philip Hackett

Management Consultant

CPFA MBA GAICD AInstIB

Stuart has worked in the financial services industry for over 25 years in Australia and UK. He has held a number of positions in the industry including CEO of a Building Society, CEO of a Life Insurance company, General Manager of a Superannuation and Managed Investments business and General Manager of a Banking and Financial Planning business.

Ian McArthur Pont

Financial Controller

Ian has served on committees of a local kindergarten, local Scouts and Cubs, and a Sydney not-for-profit organisation. In 2007 he retired as the chairman of an Anglican superannuation fund, having been a director since 1991. Ian is a Fellow of the Institute of Chartered Accountants and an Associate of the Institute of Chartered Secretaries and is currently the financial controller of the largest tax consulting firm in Australia.

Ian Patrick Sweeney

Dental Specialist

BDS(Hons), MDSc

Local resident and business owner of Northside Dental and Implant Centre. Ian was a foundation shareholder of Turrumurra Community Bank and has been actively involved in supporting the Ku-ring-gai Business Forum. He is a current board member of the Turrumurra Chamber of Commerce. Ian is an active company board director and is a State and local representative of professional organisations.

COMMITTEE RESPONSIBILITIES

Chairman

Ex officio member of all committees

Convenor, Governance Committee

Finance Committee

Convenor, Community Engagement Committee

Convenor, Finance Committee

Governance Committee

Convenor, Human Resources & Operations Committee

Directors' report continued

Ian Peter Gordon Clarke

Marketing/Business Development Committee

Real estate proprietor

(appointed 20 November 2007)

Ian has operated real estate agencies on the North Shore since 1989. He has developed a diverse range of skills from his years in real estate and as a small business owner.

Jiun Wun Hu

Marketing/Business Development Committee

Small business owner

(appointed 20 November 2007, resigned 20 August 2008)

BBA, MBA(Finance)

Jiun has 13 years' experience in consumer banking and was previously a Vice President with Citibank Malaysia. Jiun is a local resident and has owned and operated Plaza Newsagency in Turramurra for the past 4 years.

Allan Peter Millard

Community Engagement Committee

Management Consultant

(appointed 20 November 2007)

BE(Chem), MBA

Peter has spent over 30 years working in manufacturing and industrial services sections and has been active in a number of industry associations. He has lived in Turramurra and been involved in community activities for over 20 years.

Megan Pollard

Community Engagement Committee

Science teacher

(appointed 20 November 2007)

BSc DipEd

Megan is a science teacher at Turramurra High School and studied at Macquarie University. She lives in Wahroonga with her husband and 3 young children and enjoys working in local community organisations.

Joseph Gerard Bollen *(retired 20 November 2007)*

Bruce William Hall *(retired 20 November 2007)*

Matthew Grant Martin *(retired 20 November 2007)*

Collin Segelov *(retired 20 November 2007)*

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Julie Fidler. Julie was appointed to the position of secretary at the first meeting of directors of the Company on 11 December 2002. Julie has worked in business administration for over 20 years and is also a Company Secretary of Atlantic Gold NL, a company listed on the Australian Stock Exchange.

Principal activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating results

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

YEAR ENDED	YEAR ENDED
30 JUNE 2008	30 JUNE 2007
\$	\$
162,925	82,576

Dividends

An unfranked dividend of 4 cents per share (\$36,966.40) was paid for the 2006/7 year. The directors recommend that an unfranked dividend of 5 cents per share (\$46,208.00) be paid for the current year.

	YEAR ENDED 30 JUNE 2008	
	CENTS	\$
Final dividends recommended	5	46,208
Dividends paid in the year:		
As recommended in the prior year report	4	36,966

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

The directors have recommended that an unfranked dividend of 5 cents per share (\$46,208) be paid for the current year.

There are no matters or circumstances that have arisen since the end of the financial year 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, in future years.

Directors' report continued

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Directors' meetings

The number of Directors meetings attended by each of the Directors of the company during the year were:

	NUMBER OF BOARD MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
David Andrew Langdon	11	9
Stuart Philip Hackett	11	9
James Alan Loxton	11	11
Ian McArthur Pont	11	7
Ian Patrick Sweeney	11	8
Ian Peter Gordon Clarke (appointed 20 November 2007)	7	6
Jiun Wun Hu (appointed 20 November 2007, resigned 20 August 2008)	7	4
Allan Peter Millard (appointed 20 November 2007)	7	7
Megan Pollard (appointed 20 November 2007)	7	7
Joseph Gerard Bollen (retired 20 November 2007)	4	3
Bruce William Hall (retired 20 November 2007)	4	3
Matthew Grant Martin (retired 20 November 2007)	4	4
Collin Segelov (retired 20 November 2007)	4	2

Non audit services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

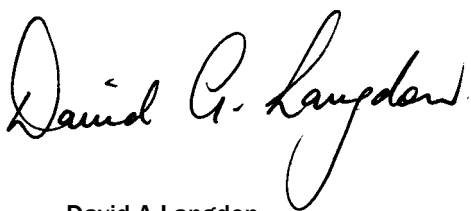
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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 14.

Signed in accordance with a resolution of the Board of Directors at Turramurra, New South Wales on 19 September 2008.



David A Langdon
Chairman



Ian McArthur Pont
Director

Auditor's independence declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Ku-ring-gai Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 19th day of September 2008

Income statement

for the year ended 30 June 2008

	NOTES	2008 \$	2007 \$
Revenues from ordinary activities	3	1,006,455	766,452
Salaries and employee benefits expense		(435,264)	(354,309)
Occupancy and associated costs		(123,416)	(106,298)
Advertising and promotion expenses		(45,660)	(22,797)
Systems costs		(52,711)	(47,147)
Depreciation and amortisation expense	4	(29,214)	(25,891)
General administration expenses		(98,380)	(89,819)
Profit before income tax expense		221,810	120,192
Income tax expense	5	(58,885)	(37,616)
Profit for the period		162,925	82,576
Profit attributable to members of the entity		162,925	82,576
		¢	¢
Earnings per share (cents per share)			
– basic for profit for the year	21	17.63	8.94
– dividends paid per share		4.00	4.00

Balance sheet

as at 30 June 2008

	NOTES	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash assets	6	562,832	358,251
Trade and other receivables	7	99,691	70,216
Total Current Assets		662,523	428,467
Non-Current Assets			
Property, plant and equipment	8	217,801	216,902
Intangible assets	9	2,000	14,000
Deferred tax assets	10	18,321	77,206
Total Non-Current Assets		238,122	308,108
Total Assets		900,645	736,574
LIABILITIES			
Current Liabilities			
Trade and other payables	11	43,358	43,746
Borrowings	12	14,579	5,031
Provisions	13	44,770	38,350
Total Current Liabilities		102,707	87,127
Non-Current Liabilities			
Borrowings	12	31,135	27,603
Provisions	13	19,000	-
Total Non-Current Liabilities		50,135	27,603
Total Liabilities		152,842	114,730
Net Assets		747,803	621,844
EQUITY			
Issued capital	14	883,964	883,964
Accumulated losses	15	(136,161)	(262,120)
Total Equity		747,803	621,844

Statement of changes in equity

for the year ended 30 June 2008

	2008	2007
	\$	\$
Total equity at the beginning of the period	621,844	576,234
Net profit for the period	162,925	82,576
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	(36,966)	(36,966)
Shares issued during period	-	-
Total equity at the end of the period	747,803	621,844

Statement of cash flows

for the year ended 30 June 2008

		2008	2007
	NOTES	\$	\$
Cash Flows From Operating Activities			
Receipts from customers		962,929	869,069
Payments to suppliers and employees		(739,599)	(703,156)
Interest received		25,968	12,999
Interest paid		(2,363)	(1,389)
Net cash provided by operating activities	16	246,935	177,523
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(18,467)	(33,672)
Payments for intangible assets		-	10,545
Net cash used in investing activities		(18,467)	(23,127)
Cash Flows From Financing Activities			
Proceeds from borrowings		18,110	34,842
Repayment of borrowings		(5,031)	(14,193)
Dividends paid		(36,966)	(36,966)
Net cash used in financing activities		(23,887)	(16,317)
Net increase in cash held		204,581	138,079
Cash at the beginning of the financial year		358,251	220,172
Cash at the end of the financial year	6(a)	562,832	358,251

Notes to the financial statements

for the year ended 30 June 2008

1 Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the financial statements continued

1 Summary of significant accounting policies continued

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Notes to the financial statements continued

1 Summary of significant accounting policies continued

Impairment of assets *continued*

Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

2 Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market Risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Notes to the financial statements continued

	2008	2007
	\$	\$
3 Revenue from ordinary activities		
Operating activities:		
- margin income	556,908	430,375
- commission income	421,543	320,964
- other revenue	1,953	1,755
Total revenue from operating activities	980,404	753,094
Non-operating activities:		
- interest received	26,051	13,358
Total revenue from non-operating activities	26,051	13,358
Total revenues from ordinary activities	1,006,455	766,452
4 Expenses		
Depreciation of non-current assets:		
- motor vehicle	3,978	2,981
- plant and equipment	2,068	1,902
- leasehold improvements	11,168	9,008
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	29,214	22,910
Finance costs:		
- interest paid	2,353	1,389
Bad debts	3,052	-

2008	2007
\$	\$

5 Income tax expense

The components of tax expense comprise:

- Deferred tax	(12,313)	-
- Recoupment of prior year tax losses	71,198	37,616
	58,885	37,616

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	221,810	120,192
Prima facie tax on profit from ordinary activities at 30%	66,543	36,058
Add tax effect of:		
- non-deductible expenses	3,600	1,558
- timing difference expenses	3,467	-
- blackhole expenses	(2,412)	-
Current tax	71,198	37,616
Movement in deferred tax	10	-
	58,885	37,616

6 Cash assets

Cash at bank and on hand	100,604	58,988
Term deposits	462,228	299,263
	562,832	358,251

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	100,604	58,988
Term deposits	462,228	299,263
	562,832	358,251

Notes to the financial statements continued

	2008	2007
	\$	\$
7 Trade and other receivables		
Trade receivables	89,651	66,564
Prepayments	10,040	3,652
	99,691	70,216

8 Property, plant and equipment

Office furniture and equipment

At cost	29,818	29,815
Less accumulated depreciation	(7,786)	(5,718)
	22,032	24,097

Leasehold improvements

At cost	213,513	195,403
Less accumulated depreciation	(44,095)	(32,927)
	169,418	162,476

Motor vehicle

At cost	31,821	31,821
Less accumulated depreciation	(5,470)	(1,492)
	26,351	30,329

Total written down amount	217,801	216,902
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Movements in carrying amounts:

Office furniture and equipment

Carrying amount at beginning	24,097	24,147
Additions	357	1,852
Disposals	(354)	-
Less: depreciation expense	(2,068)	(1,902)
Carrying amount at end	22,032	24,097

Leasehold improvements

Carrying amount at beginning	162,476	171,484
Additions	18,110	-
Less: depreciation expense	(11,168)	(9,008)
Carrying amount at end	169,418	162,476

	2008	2007
	\$	\$
<i>Motor vehicle</i>		
Carrying amount at beginning	30,329	16,354
Additions	-	31,847
Disposals	-	(23,662)
Less: depreciation expense	(3,978)	5,790
Carrying amount at end	26,351	30,329

Total written down amount	217,801	216,902
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9 Intangible assets

Franchise Fee

At cost	60,000	60,000
Less: accumulated amortisation	58,000)	(46,000)
	2,000	14,000

10 Deferred Tax

Deferred Tax Asset

Opening balance	77,206	114,822
- Recoupment of prior year tax losses	(71,198)	(37,616)
- Deferred tax on provisions	12,313	-
Closing balance	18,321	77,206

11 Trade and other payables

Trade Creditors	40,854	33,232
Other creditors and accruals	2,504	10,514
	43,358	43,746

12. Interest bearing liabilities

Current:

Hire purchase liability	14,579	5,031
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Non-current:

Hire purchase liability	31,135	27,603
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Notes to the financial statements continued

	2008	2007
	\$	\$
13 Provisions		
Current:		
Employee provisions	44,770	38,350
Non-Current:		
Employee provisions	19,000	38,350
	NO.	NO.
Number of employees at year end	6	5.6

14 Contributed equity

924,160 ordinary shares fully paid of \$1 each (2006: 924,160)	924,160	924,160
Less: equity raising expenses	(40,196)	(40,196)
	883,964	883,964

15 Retained Earnings/Accumulated Losses

Balance at the beginning of the financial year	(262,120)	(307,730)
Net profit from ordinary activities after income tax	162,925	82,576
Dividends paid	(36,966)	(36,966)
Balance at the end of the financial year	(136,161)	(262,120)

16 Statement of cashflows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit from ordinary activities after income tax	162,925	82,576
Non cash items:		
- depreciation	17,214	13,891
- amortisation	12,000	12,000
- loss on disposal of asset	354	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(29,475)	11,742
- decrease in other assets	58,885	37,616
- decrease in payables	(388)	(7,152)
- increase in provisions	25,420	26,850
Net cashflows provided by operating activities	246,935	177,523

2008	2007
\$	\$

17 Auditors' remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	3,000	3,000
- non audit services	750	1,205
	3,750	4,205

18 Director and Related party disclosures

The names of directors who have held office during the financial year are:

NAME	OTHER RELATIONSHIPS
David Andrew Langdon	
Stuart Philip Hackett	Jennifer Wray, wife of Director Stuart Hackett, provided marketing administration services to the Company on normal commercial terms and conditions. Amount paid during the year totalled \$2,400 (2007: \$0)
James Alan Loxton	
Ian McArthur Pont	
Ian Patrick Sweeney	Director Ian Sweeney provides advertising on internet website 'www.searchmysuburb.com.au' free of charge to the company.
Ian Peter Gordon Clarke (appointed 20 November 2007)	
Jiun Wun Hu (appointed 20 November 2007, resigned 20 August 2008)	
Allan Peter Millard (appointed 20 November 2007)	
Megan Pollard (appointed 20 November 2007)	
Joseph Gerard Bollen (retired 20 November 2007)	
Bruce William Hall (retired 20 November 2007)	
Matthew Grant Martin (retired 20 November 2007)	
Collin Segelov (retired 20 November 2007)	

No Directors have material interests in contracts or proposed contracts with the company except as set out in the table above.

No director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

\$

19. Dividends paid or provided

(a) Ordinary Shares

Final dividend for the year ended 30 June 2007 of 4 cents per fully paid share

Unfranked final dividend based on 4 cents per share 36,966

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 5 cents per fully paid ordinary share, (2007: 4 cents)

unfranked. The aggregate amount proposed dividend expected to be paid on

31 October 2008 out of retained profits at 30 June 2008, but not recognised

as a liability at year end, is 46,208

20 Key management personnel disclosures

No Director of the company receives remuneration for services as a company director or Committee member.

There are no Executives within the company whose remuneration is required to be disclosed.

2008

2007

\$

\$

21. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company

used in calculating earnings per share 162,925 82,576

(b) Weighted average number of ordinary shares used as the

denominator in calculating basic earnings per share 924,160 924,160

21 Events occurring after the balance sheet date

The directors have recommended that an unfranked dividend of 5 cents per share (\$46,208) be paid for the current year.

There have been no events after the end of the financial year that would materially affect the financial statements.

22 Contingent liabilities

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

23 Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Turramurra, New South Wales.

24 Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

1273 Pacific Highway
Turramurra NSW 2074

Principal place of business

1273 Pacific Highway
Turramurra NSW 2074

25 Financial Instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN						NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS					
			2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$				
Financial assets												
Cash assets	100,381	58,988	462,228	299,263	-	-	-	-	-	-	7.31	5.52
Receivables	-	-	-	-	-	-	-	-	89,651	68,101	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	14,579	5,031	31,135	27,603	-	-	-	-	7.75	7.75
Payables	-	-	-	-	-	-	-	-	43,359	43,746	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Ku-ring-gai Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

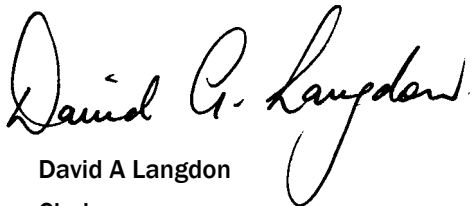
(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

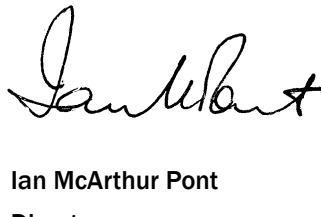
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



David A Langdon
Chairman



Ian McArthur Pont
Director

Signed on the 19th of September 2008

Independent audit report

to the members of Ku-ring-gai Financial Services Limited

We have audited the accompanying financial report of South Ku-ring-gai Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report 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 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. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report continued

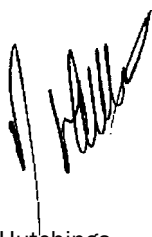
Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Ku-ring-gai Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



David Hutchings

Andrew Frewin & Stewart

61-65 Bull Street, Bendigo, 3550

Dated this 19th day of September 2008

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PO Box 430 Turrumurra NSW 2074
ABN 56 103 129 184

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ABN 11 068 049 178 AFSL 237879