Chairman's report

It is my pleasure to report on the very pleasing progress of Ku-ring-gai Financial Services Limited during the year ended 30 June 2009.

Preamble

As you know, the financial year ended 30 June 2009 was a period of almost unprecedented turbulence in financial markets.

In concert with a co-ordinated international response to the prevailing adverse financial market conditions, the Australian Government introduced a Guarantee Scheme in October 2008 to provide assurance to deposit-holders in Australia's authorised deposit-taking institutions, and the Reserve Bank of Australia reduced official interest rates by 4% within a very short period.

The Guarantee Scheme was successful in reassuring existing and prospective customers of the security of their deposits within the Australian banking system, and the Turramurra **Community Bank**® Branch subsequently achieved a very strong growth in term deposits during the remainder of the 2008-9 financial year.

On the other hand, the dramatic reduction in official interest rates created a temporary margin squeeze on our lending portfolio, particularly during the first few months of calendar year 2009. Pleasingly, these margins have returned to satisfactory levels during the past 2 to 3 months.

Notwithstanding these challenges, Turramurra **Community Bank**® Branch achieved a portfolio growth of $35 million, almost doubled our financial contribution to our local community in the form of donations, sponsorship and community grants to more than $95,000 (including $50,000 already set aside in the 2008-9 financial year for our 2009 Community Grants Program) and still delivered a net profit after tax of $225,515, an increase of 38% over the 2007-8 financial year.

The company has now recovered all of its start-up costs and has now attained cumulative profitability. Indeed, we have an income tax liability in the order of $80,000 as at 30 June 2009.

Reflecting their confidence in the continuing underlying strength and profitability of our business, the directors have declared a fully-franked dividend of 9 cents per share which will be paid in October 2009.

Table 1: Achievements during the past 12 months

DESCRIPTION	2009	2008	INCREASE
	$000	$000	%
Revenue	1,237	1,006	23%
Net profit before tax	324	222	46%
Net profit after tax	226	163	38%
	CENTS	CENTS	
Dividend per share	9	5	80%
	$ MILLION	$ MILLION	
Total portfolio	159.7	125.0	28%
Total deposits	99.4	68.7	45%
Total loans	60.4	56.3	7%
	NO.	NO.	
Number of customers	3,000	2,700	11%
Number of accounts	4,753	4,111	16%
	$000	$000	
Community contributions:			
Sponsorship, donations	30.4	33.0	-8%
Community grants	65.0	15.0	333%
Total community contributions	95.4	48.0	99%

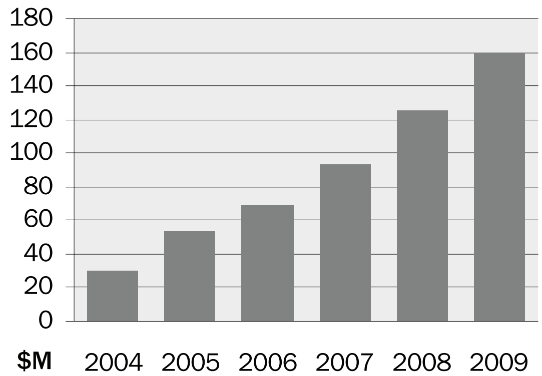
Operating results

As planned, your directors and our staff have been focused on achieving the board's key financial performance goals for the company, namely to continue to 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. Table 1 summarises our achievements during the past 12 months.

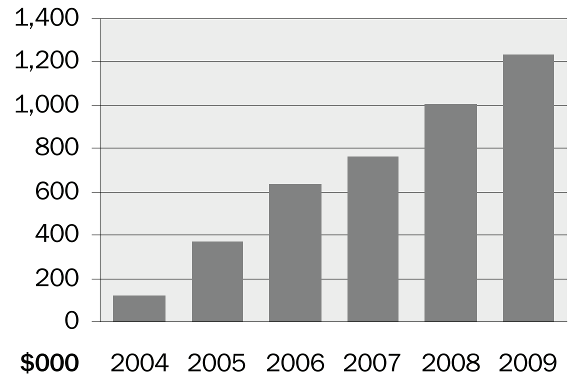
Chairman's report continued

The Turramurra **Community Bank**® Branch finished the 2009 financial year with a total portfolio in the order of $160 million and with more than 3,000 customers and 4,750 customer accounts. As a consequence of this strong portfolio growth, revenues from ordinary activities increased by 23% to $1.237 million during this period.

TOTAL PORTFOLIO



REVENUE

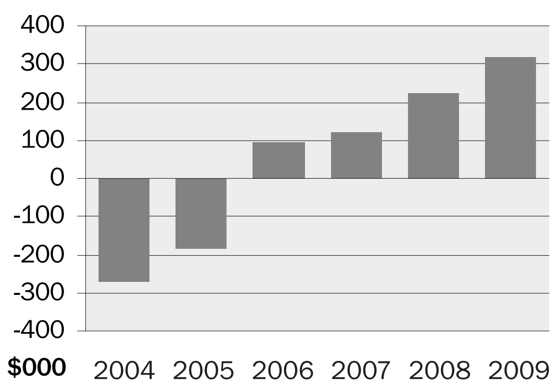


Our **Community Bank**® Branch is now a mature business in its sixth year of operations. The run-off of our existing loans portfolio increases and more staff time is required to be directed towards maintaining the business of our existing customers. This level of net growth in our portfolio and number of accounts was therefore quite remarkable.

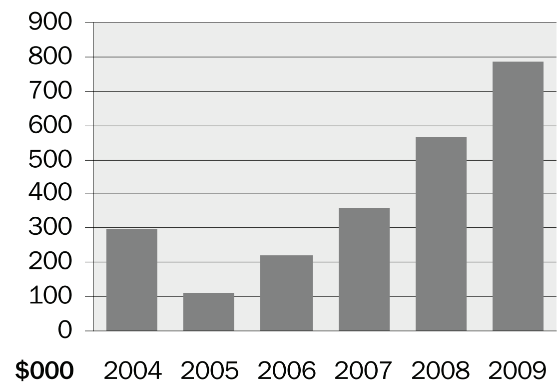
Ku-ring-gai Financial Services Limited achieved a pre-tax profit of $323,524 during this period and after provision for income tax, the profit attributable to members was $225,515 representing an increase of $62,590 (38%) over 2008.

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 which increased from $562,832 to $782,978.

NET PROFIT BEFORE TAX



CASH



Dividend payment

Your directors have declared an increased and fully-franked dividend of 9 cents per share (a total of $83,174) for the year ended 30 June 2009. In declaring this dividend, your directors were cognisant of the company's cash reserves, 2009 profitability and prospects for continuing profitability during fiscal year 2010.

This dividend will be paid on 31 October 2009 in respect of all shares held at midnight on 23 October 2009.

Kissing Point Football Club players try out their new strip, sponsored by Turramurra Community Bank® Branch

Returning profits to our community

Returning profits to the local community is a core philosophy of all **Community Bank®** branches operating within the Bendigo and Adelaide Bank **Community Bank®** business model. Consistent with that philosophy, we have increased our financial support to our local clubs and community organisations by almost $50,000 (99%) during the past 12 months.

Recipients of our support in the form of donations or sponsorship during fiscal year 2009 included the Turramurra Bowling Club, Turramurra High School, Cancer Council, Kissing Point Sports Club (Softball and Football), Ku-ring-gai Stealers Baseball Club, Mens Shed Ku-ring-gai, Gordon Bowling Club, Pharmacy Cricket, Turramurra Rotary, Warrawee Public School, Warrawee Bowling Club, West Pymble Bowling Club, Network North (a business network especially for women who work on the North Shore) and the Ku-ring-gai Business Forum.

As reported in last year's Annual Report, we formally launched our Turramurra Community Grants Program in May 2008. The objective of this Program is to assist empowerment of community groups to get things done for the local community. This program is administered on our behalf by **Community Enterprise Foundation**™, the philanthropic arm of Bendigo and Adelaide Bank.

Priority for these Community Grants is 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

We duly distributed a total of $25,000 to 13 local community groups at our inaugural Turramurra Community Grants Presentation event in September 2008.

Recipients of our 2008 Community Grants Program comprised 1st Turramurra Scouts, Easy Care Gardening, Hornsby Ku-ring-gai Rural Fire Service, Hornsby Ku-ring-gai Community/Aged Transport Service, KU South Turramurra Preschool, Ku-ring-gai Meals on Wheels, Ku-ring-gai Netball Association, Ku-ring-gai Philharmonic Orchestra, Ku-ring-gai State Emergency Service, Lifestart Co-operative, SHHH Australia, Special Olympics North Shore, and Warrawee Care Centre. This event attracted strong community interest and excellent media coverage.

As more than 50 community groups attended the recent information evening for our 2009 Program, we anticipate that up to 20 groups will share the $50,000 to be distributed at this year's Community Grants Presentation Night. This event will be conducted in conjunction with our 2009 Annual General Meeting. Accordingly, all Shareholders will have an opportunity to witness and participate in this truly exciting occasion. The directors have budgeted to significantly increase our financial and other support for local community engagement initiatives during fiscal year 2010 and beyond.

Watertank for KU South Turramurra Preschool

Chairman's report continued

Thomas Southwell and Assrar Ayad, our 'Y'outh Observers for 2009/10

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 Turramurra 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.

We have now taken on our fifth intake of Youth Observers for 2009/10, namely Assrar Ayad and Thomas Southwell. As part of this program, Assrar and Thomas attend all of our board meetings and company functions.

Outlook and aspirations

A subdued economy, continuing concerns about employment levels and highly competitive market conditions within the financial services sector will continue to present challenges to our business during fiscal year 2010.

On the other hand, the imminent closure of the NAB branch in Turramurra is expected to lead to customer enquiry and the transfer of some new business to Turramurra **Community Bank**® Branch during this period.

Overall, your directors have budgeted for a modest growth of our Total Portfolio during fiscal year 2010. With another significant increase in spending planned for our community engagement financial contributions in 2010, a moderately lower net profit after tax is budgeted for this period.

Directors' contributions

The directors met on a monthly basis during fiscal 2009, with the exception of December 2008, to plan and monitor the operations of our business. We also conducted our annual full-day Strategy Meeting in February 2009 to establish budgets, plans and priorities for the 2010 financial year.

At our sixth Annual General Meeting in November 2008, we welcomed three new directors, Clive Hodson, Greg Norris and Roman Tarnawsky to the board, replacing the retired or resigned directors Jiun Wun Hu and Stuart Hackett.

I extend my sincere thanks to all of our past and continuing directors, along with our extraordinary 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 we have welcomed several new staff with Karen, Michele, Loretta and most recently Virginia joining Denice's expanded team. We also farewelled Heather (to Singapore), Stacey and Kris.

If you have visited the Turramurra **Community Bank**® Branch recently, you will have noticed that we have undertaken some renovations, including construction of an additional office. This third office is required to house our new Loans Officer. Notwithstanding the distractions of this refurbishment project, Denice and her team have managed to maintain their high standards of customer service. We continue to grow our 3,000-strong customer base as the benefits arising from our increasing contributions to the community receive broader public recognition, and as continuing "Being the Bendigo" strategies to deepen our customer relationships deliver their intended positive outcomes. All of our new and continuing staff members participate 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.

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

Our relationship with our partner Bendigo and Adelaide Bank remains very strong. I particularly thank the NSW Manager Chris Bone, our Regional Manager Alex Hughes and the entire Bendigo Bank **Community Bank**® support 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 eetings.

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.

Conclusion

As we approach the sixth anniversary since opening, your Turramurra **Community Bank**® Branch continues to be one of the fastest growing branches in Bendigo and Adelaide Bank's 240 **Community Bank**® Branch network across Australia. I would like to once again thank all of our Shareholders for supporting the continuing growth of your Turramurra **Community Bank**® Branch.

I also remind you that your ongoing support as customers remains invaluable in ensuring our continuing success. As you know, it's your banking activity that determines how much we're able to return to our local community.

I look forward to seeing as many shareholders as possible at our Seventh Annual General Meeting (AGM) at the Turramurra High School at 7:00pm on Tuesday 17 November 2009. As previously mentioned, this year's AGM will be conducted in conjunction with our 2009 Community Grants Presentation Night and promises to be an exciting and memorable occasion.

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

David A Langdon
Chairman
28 September 2009

Branch Manager's report

A Year of Challenge and Change

The Global Financial Crisis presented Turramurra **Community Bank**® Branch with many new customers and new business from existing customers – as is evident from the results.

These events reinforced the Bendigo Bank as a strong, secure brand, a bank with experienced management and a long established history which began in 1858.

Our branch opened in 2003 when local community members were concerned that all the banks in Turramurra were thinking of closing. They had every reason to be worried as of mid-September this year Turramurra **Community Bank**® Branch will be one of only two banks remaining in Turramurra and whatever happens to the remaining "big four" bank, we are here to stay for "U"!

The foresight of those in the community responsible for the creation of our bank has resulted not only in delivering a great banking service but a significant contribution to many local sporting clubs, schools, church groups and charitable organisations. This continues to drive the branch staff to provide efficient, friendly customer service as every product and service you bring to our bank continues to add to this contribution back to worthwhile local community groups. In your own way every personal banking and insurance product makes a contribution to the community.

The rapid growth experienced during the year meant more staff to service the growth and replace some staff who left us. Our new staff are Karen, Michele, Loretta and Virginia. They have all embraced the **Community Bank**® concept and have all displayed the attributes of "Being the Bendigo" that is friendly and helpful service. The remaining and familiar members of our team, Vikki, Ruth and Jodie have continued to provide excellent customer service with a friendly smile.

Thank you once again for the privilege of being your **Community Bank**® Branch Manager. The team look forward to another successful year in 2010.

Denice Kelly
Branch Manager

Karen Chivas, Loretta Smith, Denice Kelly, Virginia Bowen, Jodie Chilvers and Michele Ferris, and Ruth Maher (photo at right). (Vikki Atkins on leave)

Bendigo and Adelaide Bank Limited report

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Limited – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago. Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank**® branches joined Bendigo and Adelaide Bank Limited's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank**® branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important. That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank**® branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – $29 million paid out in community projects and nearly $11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects ... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank® branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Limited, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Limited, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.

Russell Jenkins
Chief General Manager

Directors' report

Your directors submit the financial report of the company for the financial year ended 30 June 2009.

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	COMMITTEE RESPONSIBILITIES
David Andrew Langdon	Chairman
Consultant	Ex officio member of all committees

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 is Non Executive Chairman of the internet jobs board company Six Figures International Pty Ltd and is presently employed as an Executive Recruitment Consultant.

James Alan Loxton	Convenor, Governance Committee
Barrister	Finance Committee
BA, LLB	Strategic Planning Committee

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

Ian McArthur Pont	Convenor, Finance Committee
Financial Controller	Governance Committee
	Strategic Planning Committee

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	Convenor, Human Resources & Operations Committee
Dental Specialist	
BDS(Hons), MDSc	

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

Ian Peter Gordon Clarke	**Human Resources & Operations Committee**
Real estate proprietor	Marketing/Business Development Committee

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.

Allan Peter Millard	Convenor, Community Engagement Committee
Management Consultant	
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.

DIRECTOR'S DETAILS	COMMITTEE RESPONSIBILITIES

Megan Pollard — Community Engagement Committee

Science teacher

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.

Clive John Hodson — Community Engagement Committee

(appointed 18 November 2008)

Entertainment industry executive

JP

Clive has been in the entertainment industry for 30 years and is currently General Manager of music publishing company, Shock. He has been associated with Kissing Point Football Club for 14 years and is actively involved with the charity Golden Stave which supports underprivileged youth.

Gregory Alan Norris — Marketing/Business Development Committee

(appointed 18 November 2008)

Retail Manager

Greg has 25 years' experience in business management and marketing and was a foundation shareholder of Ku-ring-gai Financial Services Limited. He and his family have lived in Ku-ring-gai since 1970.

Roman Zeno Tarnawsky — Convenor, Strategic Planning Committee

(appointed 18 November 2008)

Company director, retail marketing and logistics (retired)

GAICD, Grad.Dip.Mgmt. Admin, Dip Mech Engineering, Dip Civil Engineering

Roman has lived in Turramurra since 1980 and has been active in local resident groups and youth sailing programs. his 30 year career has provided experience in engineering, logistics and retail marketing, including franchising and business-to-business marketing.

Stuart Philip Hackett *(resigned 28 October 2008)*

Jiun Wun Hu *(resigned 20 August 2008)*

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

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

Directors:
Back: David Langdon (Chairman), James Loxton, Ian Sweeney, Greg Norris, Peter Millard, Ian Clarke, Roman Tarnawsky
Front: David Hollott (Marketing Adviser), Denice Kelly (Branch Manager), Ian Pont, Julie Fidler (Company Secretary), Clive Hodson. [Absent: Megan Pollard]

Directors' report continued

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 and Adelaide 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 30 JUNE 2009 $	YEAR ENDED 30 JUNE 2008 $
	225,515	162,925

Dividends

	YEAR ENDED 30 JUNE 2009	
	CENTS	$
Final dividend recommended	9	83,174
Dividends paid in the year:		
As recommended in the prior year report	5	46,208

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

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.

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 19 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
James Alan Loxton	11	9
Ian McArthur Pont	11	9
Ian Patrick Sweeney	11	9
Ian Peter Gordon Clarke	11	9
Allan Peter Millard	11	9
Megan Pollard	11	10
Clive John Hodson (appointed 18 November 2008)	7	4
Gregory Alan Norris (appointed 18 November 2008)	7	6
Roman Zeno Tarnawsky (appointed 18 November 2008)	7	6
Stuart Philip Hackett (resigned 28 October 2008)	4	3
Jiun Wun Hu (resigned 20 August 2008)	2	1

Directors' report continued

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 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 to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermines 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 13.

Signed in accordance with a resolution of the board of directors at Turramurra, New South Wales
on 28 September 2009.

David A Langdon	**Ian McArthur Pont**
Chairman	**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 2009 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 audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria
Dated this 28th day of September 2009

Income statement
for the year ended 30 June 2009

	NOTES	2009 $	2008 $
Revenues from ordinary activities	3	1,237,222	1,006,455
Salaries and employee benefits expense		(467,909)	(435,264)
Charitable donations, sponsorships, advertising and promotion		(111,293)	(45,660)
Occupancy and associated costs		(128,578)	(123,416)
Systems costs		(52,592)	(52,711)
Depreciation and amortisation expense	4	(29,277)	(29,214)
Finance costs	4	(4,030)	(2,353)
General administration expenses		(120,019)	(96,027)
Profit before income tax expense		**323,524**	**221,810**
Income tax expense	5	(98,009)	(58,885)
Profit for the period		**225,515**	**162,925**
Profit attributable to members of the entity		**225,515**	**162,925**
		¢	¢
Earnings per share (cents per share)			
– basic for profit for the year	22	24.40	17.63
– dividends paid per share	20	5.00	4.00

Balance sheet
as at 30 June 2009

	NOTES	2009 $	2008 $
ASSETS			
Current Assets			
Cash assets	6	782,978	562,832
Trade and other receivables	7	120,914	99,691
Total Current Assets		**903,892**	**662,523**
Non-Current Assets			
Property, plant and equipment	8	215,247	217,801
Intangible assets	9	59,681	2,000
Deferred tax assets	10	12,025	18,321
Total Non-Current Assets		**286,953**	**238,122**
Total Assets		**1,190,845**	**900,645**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	125,819	43,358
Current tax liabilities	5	21,310	–
Borrowings	12	15,298	14,579
Provisions	14	65,523	44,770
Total Current Liabilities		**227,950**	**102,707**
Non-Current Liabilities			
Financial liabilities	12	20,298	31,135
Provisions	14	15,487	19,000
Total Non-Current Liabilities		**35,785**	**50,135**
Total Liabilities		**263,735**	**152,842**
Net Assets		**927,110**	**747,803**
EQUITY			
Issued capital	15	883,964	883,964
Retained earnings/(Accumulated losses)	16	43,146	(136,161)
Total Equity		**927,110**	**747,803**

Statement of changes in equity
for the year ended 30 June 2009

	2009	2008
	$	$
Total equity at the beginning of the period	747,803	621,844
Net profit for the period	225,515	162,925
Net income/expense recognised directly in equity	–	–
Total income and expense recognised by the entity	225,515	162,925
Dividends provided for or paid	(46,208)	(36,966)
Shares issued during period	–	–
Total equity at the end of the period	**927,110**	**747,803**

Statement of cash flows
for the year ended 30 June 2009

	NOTES	2009 $	2008 $
Cash Flows From Operating Activities			
Receipts from customers		1,288,644	962,929
Payments to suppliers and employees		(965,652)	(739,599)
Interest received		30,913	25,968
Interest paid		(4,030)	(2,363)
Net cash provided by operating activities	17	**349,875**	**246,935**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(4,541)	(18,467)
Payments for intangible assets		(68,862)	–
Net cash used in investing activities		**(73,403)**	**(18,467)**
Cash Flows From Financing Activities			
Proceeds from borrowings		–	18,110
Repayment of borrowings		(10,118)	(5,031)
Dividends paid		(46,208)	(36,966)
Net cash used in financing activities		**(56,326)**	**(23,887)**
Net increase in cash held		**220,146**	**204,581**
Cash at the beginning of the financial year		562,832	358,251
Cash at the end of the financial year	6(a)	**782,978**	**562,832**

Notes to the financial statements
for the year ended 30 June 2009

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 from 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).

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.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

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). 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.

1 Summary of significant accounting policies continued

Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and Subsequent Measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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 dividend 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 and Adelaide 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 and Adelaide Bank Limited mitigates this risk significantly.

Notes to the financial statements continued

2 Financial risk management continued

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide 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 and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitors the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

There were no changes in the company's approach to capital management during the year.

	2009	2008
	$	$

3 Revenue from ordinary activities

	2009 $	2008 $
Operating activities:		
– margin income	637,110	556,908
– services commissions	555,142	421,543
– other revenue	8,932	1,953
Total revenue from operating activities	**1,201,184**	**980,404**
Non-operating activities:		
– interest received	36,038	26,051
Total revenue from non-operating activities	**36,038**	**26,051**
Total revenues from ordinary activities	**1,237,222**	**1,006,455**

4 Expenses

	2009 $	2008 $
Depreciation of non-current assets:		
– motor vehicle	3,978	3,978
– furniture and fittings	2,557	2,068
– leasehold improvements	11,562	11,168
Amortisation of non-current assets:		
– franchise agreement	3,529	12,000
– franchise renewal fee	7,651	–
	29,277	**29,214**
Finance costs:		
– interest paid	4,030	**2,353**
Bad debts	7,056	3,052

Notes to the financial statements continued

	Note	2009 $	2008 $
5 Income tax expense			
The components of tax expense comprise:			
– Current tax		91,713	–
– Deferred tax		288	(12,313)
– Recoupment of prior year tax losses		6,008	71,198
		98,009	**58,885**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		323,524	221,810
Prima facie tax on profit from ordinary activities at 30%		97,058	66,543
Add tax effect of:			
– non-deductible expenses		3,354	3,600
– timing difference expenses		(279)	3,467
– blackhole expenses		(2,412)	(2,412)
Current tax		**97,721**	**71,198**
Movement in deferred tax	10	288	(12,313)
		98,009	**58,885**
Tax liabilities			
Current tax payable		21,310	–

	2009	2008
	$	$

6 Cash assets

Cash at bank and on hand	49,301	100,604
Term deposits	733,677	462,228
	782,978	**562,832**

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	49,301	100,604
Term deposits	733,677	462,228
	782,978	**562,832**

7 Trade and other receivables

Trade receivables	117,029	89,651
Prepayments	3,885	10,040
	120,914	**99,691**

8 Property, plant and equipment

	2009 $	2008 $
Office furniture and equipment		
At cost	33,560	29,818
Less accumulated depreciation	(10,342)	(7,786)
	23,218	**22,032**
Leasehold improvements		
At cost	225,313	213,513
Less accumulated depreciation	(55,657)	(44,095)
	169,656	**169,418**
Motor vehicle		
At cost	31,821	31,821
Less accumulated depreciation	(9,448)	(5,470)
	22,373	**26,351**
Total written down amount	**215,247**	**217,801**
Movements in carrying amounts:		
Office furniture and equipment		
Carrying amount at beginning	22,032	24,097
Additions	3,743	357
Disposals	–	(354)
Less: depreciation expense	(2,557)	(2,068)
Carrying amount at end	**23,218**	**22,032**
Leasehold improvements		
Carrying amount at beginning	169,418	162,476
Additions	11,800	18,110
Disposals	–	–
Less: depreciation expense	(11,562)	(11,168)
Carrying amount at end	**169,656**	**169,418**

	2009	2008
	$	$
Motor vehicle		
Carrying amount at beginning	26,351	30,329
Additions	–	–
Disposals	–	–
Less: depreciation expense	(3,978)	(3,978)
Carrying amount at end	**22,373**	**26,351**
Total written down amount	**215,247**	**217,801**

9 Intangible assets

Franchise Fee		
At cost	71,477	60,000
Less: accumulated amortisation	(61,530)	(58,000)
	9,947	**2,000**
Franchise Renewal Fee		
At cost	57,385	–
Less: accumulated amortisation	(7,651)	–
	49,734	**–**
	59,681	**2,000**

10 Deferred tax

Deferred tax asset		
Opening balance	18,321	77,206
– Recoupment of prior year tax losses	(6,008)	(71,198)
– Deferred tax on provisions	(288)	12,313
Closing balance	**12,025**	**18,321**

11 Trade and other payables

Trade creditors	115,701	40,854
Other creditors and accruals	10,118	2,504
	125,819	**43,358**

Notes to the financial statements continued

	Note	2009	2008
		$	$
12 Borrowings			
Current:			
Hire purchase liability	13	15,298	14,579
Non-current:			
Hire purchase liability	13	20,298	31,135

13 Hire purchases

	2009	2008
Hire purchase commitments		
Payable — minimum repayments		
— not later than 12 months	15,298	14,579
— between 12 months and 5 years	24,302	38,821
— greater than 5 years	–	–
Minimum repayments	39,600	53,400
Less future finance charges	(4,004)	(7,686)
Present value of minimum repayments	**35,596**	**45,714**

The hire purchase of a motor vehicle, which commenced in February 2007, is a four year hire purchase. Interest is recognised at an average rate of 7.75% (2008: 7.75%).

The hire purchase of security equipment, which commenced in June 2008, is a three year hire purchase. Interest is recognised at an average rate of 12.49% (2008: 12.49%).

	2009	2008
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	101,000	98,000
— between 12 months and 5 years	330,000	431,000
— greater than 5 years	–	–
	431,000	**529,000**

The premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

	2009	2008
	$	$

14 Provisions

Current:		
Provision for annual leave	13,430	20,180
Provision for annual bonus	31,093	24,590
Provision for refurbishment	21,000	–
	65,523	**44,770**
Non-Current:		
Provision for long service leave	15,487	19,000
	NO.	NO.
Number of employees at year end	**7**	**6**

15 Contributed equity

924,160 ordinary shares fully paid of $1 each (2008: 924,160)	924,160	924,160
Less: equity raising expenses	(40,196)	(40,196)
	883,964	**883,964**

Rights attached to shares

(a) *Voting Rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of Shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® Branch have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

15 Contributed equity continued

Rights attached to shares continued

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company. In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit"). As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of Shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified Shares on behalf of that person. The holder will be entitled to the consideration from the sale of the Shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the Constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2009	2008
	$	$

16 Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(136,161)	(262,120)
Net profit from ordinary activities after income tax	225,515	162,925
Dividends paid or provided for	(46,208)	(36,966)
Balance at the end of the financial year	**43,146**	**(136,161)**

17 Statement of cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	225,515	162,925
Non cash items:		
– depreciation	18,097	17,214
– amortisation	11,180	12,000
– loss on disposal of fixed assets	–	354
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(21,223)	(29,475)
– (increase)/decrease in other assets	6,296	58,885
– increase/(decrease) in payables	103,770	(388)
– increase/(decrease) in provisions	6,240	25,420
Net cashflows provided by operating activities	**349,875**	**246,935**

18 Auditors' remuneration

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

– audit and review services	3,200	3,000
– non audit services	1,580	750
	4,780	**3,750**

Notes to the financial statements continued

19 Director and related party disclosures

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

NAME	OTHER RELATIONSHIPS
David Andrew Langdon	
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	
Allan Peter Millard	
Megan Pollard	
Clive John Hodson *(appointed 18 November 2008)*	
Gregory Alan Norris *(appointed 18 November 2008)*	
Roman Zeno Tarnawsky *(appointed 18 November 2008)*	
Stuart Philip Hackett *(resigned 28 October 2008)*	Jennifer Wray, wife of Stuart Hackett, provided marketing administration services to the company on normal commercial terms and conditions. Amount paid during the year totalled $4,190 (2008: $2,400)
Jiun Wun Hu *(resigned 20 August 2008)*	

No director or related entity has entered into a material contract with the company.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2009 $	2008 $
Directors' shareholdings		
David Andrew Langdon	15,001	15,001
James Alan Loxton	1,501	1,501
Ian McArthur Pont	1,000	1,000
Ian Patrick Sweeney	10,000	10,000
Ian Peter Gordon Clarke	15,000	15,000
Allan Peter Millard	–	–
Megan Pollard	–	–
Clive John Hodson *(appointed 18 November 2008)*	–	
Gregory Alan Norris *(appointed 18 November 2008)*	5,000	
Roman Zeno Tarnawsky *(appointed 18 November 2008)*	–	
Stuart Philip Hackett *(resigned 28 October 2008)*	–	–
Jiun Wun Hu *(resigned 20 August 2008)*	500	500

	2009	2008
	$	$

20 Dividends paid or provided

(a) Dividends paid during the year		
Prior year proposed final		
Nil% franked dividend (2008: Nil%) – 5 cents (2008: 4 cents) per share	46,208	36,966
(b) Dividends proposed and not recognised as a liability		
100% (2008: Nil%) franked dividend – 9 cents (2008: 5 cents) per share	83,174	46,208

The tax rate at which dividends have been franked is Nil% (2008: Nil%).

Dividend proposed will be franked at a rate of 30% (2008: Nil%).

21 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.

22 Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	225,515	162,925
	NO.	NO.
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	924,160	924,160

23 Events occurring after the balance sheet date

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

24 Contingent liabilities

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

25 Segment reporting

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

Notes to the financial statements continued

26 Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
1273 Pacific Highway	1273 Pacific Highway
Turramurra NSW 2074	Turramurra NSW 2074

27 Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. 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 Balance Sheet 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: 1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS		NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 %	2008 %
Financial assets												
Cash assets	49,101	100,381	733,677	462,228	–	–	–	–	200	223	3.95	7.31
Receivables	–	–	–	–	–	–	–	–	109,707	89,651	N/A	N/A
Financial liabilities												
Interest bearing liabilities	–	–	18,592	14,579	17,004	31,135	–	–	–	–	9.24	7.75
Payables	–	–	–	–	–	–	–	–	125,819	43,359	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 2009 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 28th of September 2009

Independent audit report

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

We have audited the accompanying financial statements of Ku-ring-gai Financial Services Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company 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 in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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.

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 directors' 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 on the Financial Report

In our opinion:

1) The financial report of Ku-ring-gai Financial Services Limited is in accordance with the Corporations Act 2001 including
   (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Ku-ring-gai Financial Services Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.

David Hutchings
Andrew Frewin & Stewart
61-65 Bull Street, Bendigo, 3550

Dated this 28th day of September 2009

Our community – it starts with U!