

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2010



HeroHQ



1
ELEVATION SOUTH EAST
SCALE 1:100



1
ELEVATION EAST
SCALE 1:100



KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2010

Contents

Chairman's report	1
Manager's report	8
Bendigo and Adelaide Bank Limited report	9
Directors' report	10
Auditor's independence declaration	15
Financial statements	16
Notes to the financial statements	20
Directors' declaration	38
Independent audit report	39

Hero HQ:

Turramurra **Community Bank**[®] Branch has teamed with Ku-ring-gai SES, Ku-ring-gai Volunteer Bush Fire Brigade and Ku-ring-gai Council to support desperately-needed new premises for the SES and KVFBF in Wahroonga
(Photos: John Snelson)

Cover: photos John Snelson,
NSW State Emergency Service;
drawings Complete Urban/
Ku-ring-gai Council)



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 2010.



David Langdon, Chairman

Preamble

After the unprecedented turbulence experienced during 2008-09, confidence in Australian financial markets was largely restored during the financial year ended 30 June 2010.

Reflecting the continued maturing of our business and the challenges associated with retaining last year's sharply increased book of term deposits, the rate of portfolio and revenue growth achieved by our Turramurra **Community Bank**[®] Branch during 2009-10 was less than in recent years.

Nevertheless, the Turramurra **Community Bank**[®] Branch still achieved a portfolio growth of almost \$10 million and delivered a net profit after tax of almost \$200,000 during this period. Pleasingly, this net profit after tax was achieved after contributing more than \$162,000 to local community groups in the form of community grants, sponsorships and donations during this period. This represented an overall increase of \$67,000 in the level of our community contributions over 2008-09.

Indeed, including last year's fully-franked dividend payment, Ku-ring-gai Financial Services Limited returned more than \$240,000 of profit to local residents and community groups during the 2009-10 financial year.

The directors have established a project steering committee to explore the possibility of expanding our business operations by opening a second **Community Bank**[®] branch in Lindfield. The steering committee has been actively engaging with members of the Lindfield and surrounding communities and is well advanced in establishing the viability of this project.

Reflecting their confidence in the continuing underlying strength and profitability of our business and mindful of the start-up and other costs which might arise from opening a new Branch in Lindfield, the directors have declared an unchanged fully-franked dividend of 9 cents per share for the year ended 30 June 2010.

Table 1: Achievements during the past 12 months

DESCRIPTION	2010 \$000	2009 \$000	INCREASE %
Revenue	1,363	1,237	10%
Net profit before tax	277	324	-14%
Net profit after tax	195	226	-12%
	CENTS	CENTS	
Dividend per share	9	9	-
	\$ MILLION	\$ MILLION	
Total portfolio	169.4	159.7	6%
Total deposits	105.7	99.4	6%
Total loans	63.7	60.4	6%
	NO.	NO.	
Number of customers	3,171	3,000	6%
Number of accounts	5,177	4,753	9%
	\$000	\$000	
Community contributions:			
Sponsorship, donations	38.2	30.4	26%
Community grants	124.6	65.0	92%
Total community contributions	162.8	95.4	71%

Operating results

Your directors and our staff have been focused on achieving the board's key strategic goals for the company, namely to continue to grow the level of business on our books (total portfolio) and thereby increase revenue in order to be able to provide substantial financial and other support to local community groups and reward shareholders with appropriate dividends. Table 1 summarises our achievements during the past 12 months.

Chairman's report continued

Our Turrumurra **Community Bank**[®] Branch finished the 2010 financial year with a total portfolio exceeding \$169 million and with 3,171 customers and 5,177 customer accounts on our books. As a consequence of portfolio growth in the order of \$10 million (6.1%), revenue from ordinary activities increased by 10% to \$1.363 million during this period.

Now a mature business in our seventh year of operations, the run-off of our existing portfolio is steadily increasing and more staff time is required to be directed towards maintaining the business of our existing customers. Furthermore, the size and design of our current premises have now become constraints which limit the ability of our staff to operate and deliver customer services in an optimal manner.

In these circumstances, the net growth in our portfolio and number of customers and customer accounts achieved by our staff during this period was commendable.

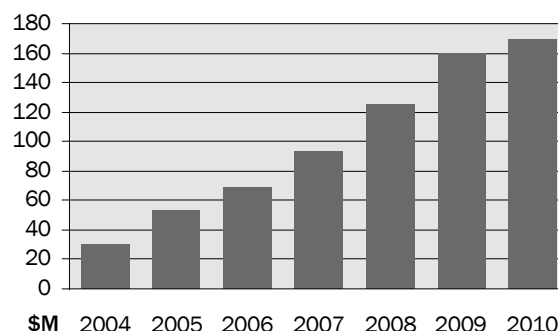
Ku-ring-gai Financial Services Limited achieved a pre-tax profit of \$276,635 during this period despite increasing Community contributions by \$67,000 (71%) to \$162,888 during this period. After provision for income tax, the net profit attributable to members was \$195,437 which was a modest decrease of \$26,720 (12%) from 2009.

Furthermore, our balance sheet continues to strengthen, particular our cash reserves which increased to \$817,000.

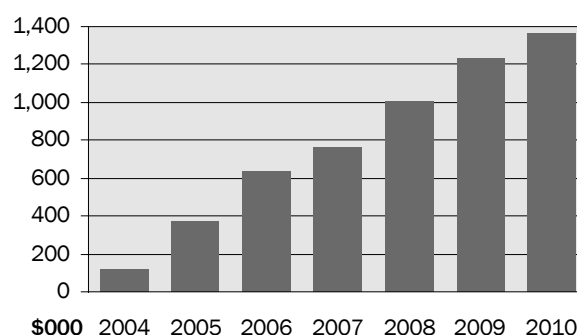
Dividend payment

Your directors have declared an unchanged fully-franked dividend of 9 cents per share (at a cost of \$83,174.40) for the year ended 30 June 2010. This dividend will be paid on 31 October 2010 in respect of all shares held at midnight on 23 October 2010. In declaring this dividend, the directors were cognisant of the company's cash reserves, our net profit for 2010 and prospects for continuing profitability during fiscal year 2011, whilst also providing for anticipated Lindfield fit-out and start-up costs.

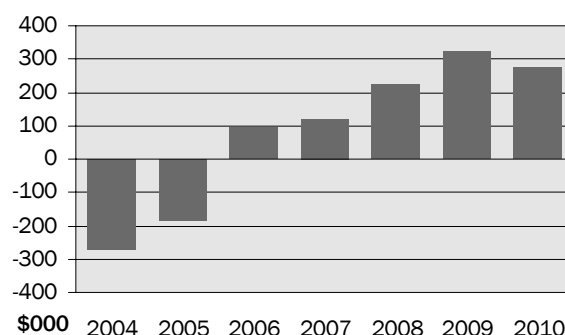
TOTAL PORTFOLIO



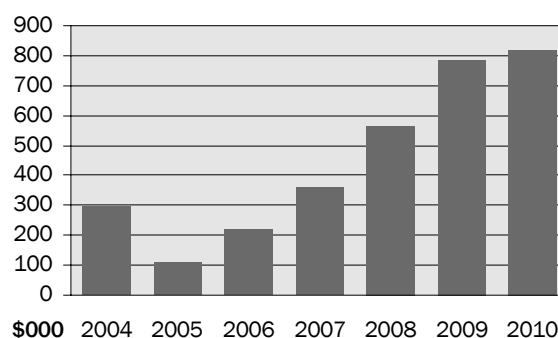
REVENUE



NET PROFIT BEFORE TAX



CASH



Ku-ring-gai Council Mayor Ian Cross and Councillor Rakesh Duncombe (Roseville Ward) with Branch Manager Denise Kelly at the public meeting held in support of the Lindfield **Community Bank**[®] Project



Lindfield expansion

The objective of this initiative is to expand the operations of Ku-ring-gai Financial Services Limited by opening a second site and thereby increase our community engagement and the scope for delivery of our banking services within Ku-ring-gai, whilst also easing the pressure on our Turramurra premises.

Lindfield was chosen as our preferred location as it has a similar demographic profile to Turramurra, strong shopping precincts and has recently lost the services of a major bank. Furthermore, the adjacent suburbs of Killara and Roseville have no banks at all. The overall area is therefore poorly serviced by the industry and, in the view of your directors, would benefit from and will support the opening of a **Community Bank**[®] branch.

The key steps in the formal and proven process currently being undertaken by the directors to evaluate the viability of this project include establishment of a steering committee; conducting an awareness campaign including requests for indicative pledges of support; engaging an external consultant to conduct a feasibility study; preparing a business plan and issuing a prospectus.

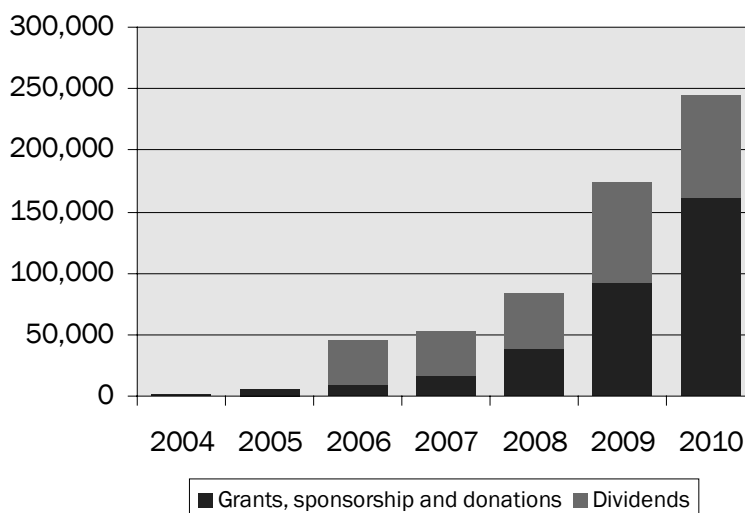
The directors are aiming to achieve the commitment of more than 200 local prospective shareholders and customers by the conclusion of this overall process and to duly raise in the order of \$500,000 in new share capital via a prospectus in early 2011. The directors are encouraged by the support shown so far by the Lindfield community, having already received indicative pledges of almost \$450,000 from more than 150 local residents. Accordingly, the directors have formally commissioned commencement of the feasibility study which will be undertaken during October/November 2010.

Returning profits to our community

Returning profits to the local community is a core philosophy of all 264 **Community Bank**[®] branches operating within the Bendigo Bank **Community Bank**[®] business model. Consistent with that philosophy, your Turramurra **Community Bank**[®] Branch has contributed more than \$162,000 to local clubs and community organisations in the form of community grants, sponsorships and donations during the past 12 months.

This brings our cumulative contributions to local community groups to more than \$320,000 since our Turramurra **Community Bank**[®] Branch opened in October 2003.

RETURNS TO THE COMMUNITY



Chairman's report continued

Our 2009 Community Grants Presentation Night was conducted in conjunction with Ku-ring-gai Financial Services Limited's 2009 annual general meeting in November 2009. Recipients of the \$50,000 distributed at this function ranged from lesser-known groups such as Velma's Pets as Therapy, STEP Inc, Ku-ring-gai Men's Shed, Warrawee Care Centre and Ku-ring-gai Youth Development Service (KYDS) up to iconic "brands" such as Ku-ring-gai SES, Meals on Wheels and the Royal Institute for Deaf and Blind Children.

As representatives of each of the 16 community groups shared their compelling and inspirational stories about how their individual grants will be spent to benefit their community constituents, the audience marvelled at the passion, compassion and imagination of so many of these innovative programs.

Our Turrumurra Community Grants Program will continue in 2010-11 with a further round of \$50,000 in grants to be distributed in October 2010.

During 2010-11 the directors of your Turrumurra **Community Bank**[®] company will also undertake our most ambitious community project since our Branch was opened in 2003.

As reported by Ku-ring-gai Council in a recent *Ku-ring-gai Update* publication, a new community initiative has been launched to help fund the construction and fit-out of new headquarters about to be built for both Ku-ring-gai SES and the Bush Fire Brigade in Wahroonga. With expected fit-out costs in the order of \$200,000 for the fit-out of these vital new facilities, the Turrumurra **Community Bank**[®] company will contribute up to \$100,000 as part of our *HeroHQ* initiative by matching contributions received from the public on a dollar for dollar basis.



Top: Turrumurra **Community Bank**[®] Branch and Ku-ring-gai Netball Association have developed close ties through a 3-year sponsorship program (Photo: Amanda Knowlson KNA)

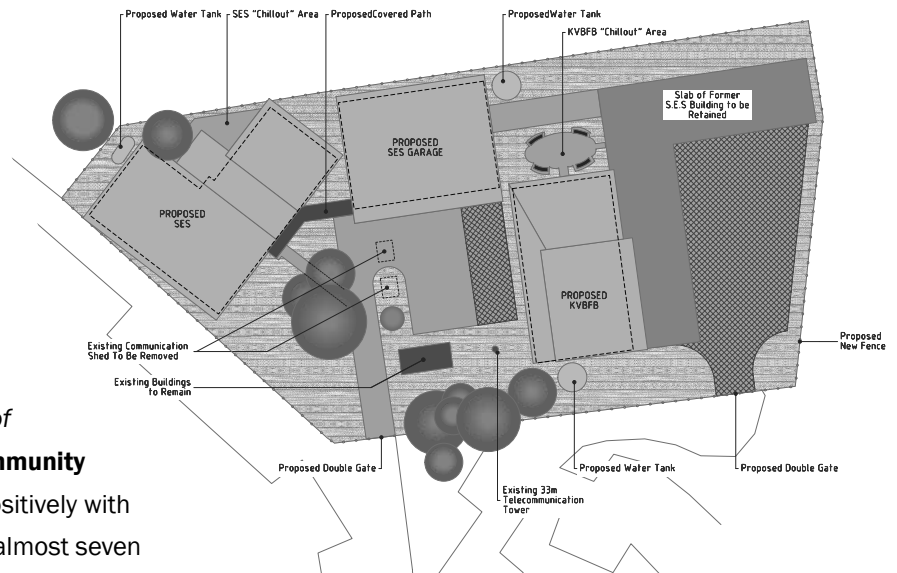
Above: Piggy and Ms Carrot celebrate the opening of the Turrumurra Lookout Community Garden, on Pacific Highway opposite our Turrumurra premises. Turrumurra **Community Bank**[®] Branch is founding sponsor with a contribution of \$20,000.



Left: Students of the Royal Institute for Deaf and Blind Children trial their new iPods, purchased with a 2009 Community Grant and featuring an Auslan (sign language) translation application designed at the school

We have already set-aside \$50,000 in our 2009-10 accounts for this purpose. Shareholder and other community donations to *HeroHQ* can be made at our Turrumurra **Community Bank®** Branch or on-line.

These initiatives highlight the *Power of Community* and how our Turrumurra **Community Bank®** initiative continues to resonate positively with our customers and the local community almost seven years after the Branch was opened for business.



Above: Proposed site plan – new headquarters for Ku-ring-gai SES and Ku-ring-Gai Volunteer Bush Fire Brigade

Youth Observer program

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.

We have now taken on our sixth intake of Youth Observers for 2010-11, namely Rachael Pegley and Joshua Bridge. As part of this program, both Rachael and Josh attend all of our board meetings and company functions.

Below: 2010 Youth Observers
Rachael Pegley and Joshua Bridge



Outlook and aspirations

Community concerns regarding interest rates and extremely competitive market conditions within the financial services sector will continue to present challenges to our business during the next 12 months. Overall, your directors have budgeted for a modest growth of our total portfolio during fiscal year 2011.

Notwithstanding another year of significant spending planned for our *HeroHQ* initiative and continuing levels of substantial community grants and other financial contributions during 2010-11, a moderately higher net profit after tax is forecast for our Turrumurra **Community Bank®** Branch during this period.

In the event that the Lindfield Branch operations commence during the 2010-11 fiscal year, significant fit-out and start-up costs will also be incurred. Whilst detailed budgets have been prepared in readiness for this eventuality, the consolidation of Lindfield into the accounts of Ku-ring-gai Financial Services Limited will not occur until the associated Lindfield capital-raising prospectus process is successfully completed.

Chairman's report continued

Directors' contributions

The directors met on a monthly basis during fiscal year 2010 to plan and monitor the operations of our business. We also conducted our annual full-day strategy meeting during February 2010 which also assisted in the establishment of our budgets, plans and priorities for the 2011 financial year.

At our seventh Annual General Meeting in November 2009, we welcomed new director Monika Stelzner to the board. Sadly, our Deputy Chairman James Loxton retired from the board at this meeting. James had been a member of the original Turramurra **Community Bank®** Steering Committee and was appointed as an inaugural director of the company in December 2002. During this period of almost 8 years, James made a major contribution to the success of the company with his sharp legal mind, commercial astuteness, insights and abounding enthusiasm.



James Loxton

Megan Pollard and Ian Clarke resigned from the board during January and February 2010 respectively having each made significant personal contributions to the success of the company.

I once again extend my sincere thanks to each of our past and continuing directors, along with our wonderful company secretary/bookkeeper/share registrar Julie Fidler and marketing convenor David Hollott, 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 to build the deeper relationships with our customers which 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 in a manner which is highly valued and appreciated by our community.

During the past year we have welcomed Graham Auld to our expanded team as a Lending Manager. In the event that Lindfield proceeds, Graham will become fully focussed on growing our business at this site.

All of our staff members continue to undertake intensive Bendigo Bank training in new systems and processes which 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 excellent and close-knit team for their passion and commitment to servicing the needs of our customers, and for the many new milestones that they have personally and collectively achieved during another successful 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®** 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 and participation in and support of our Lindfield project.

Pleasingly, Bendigo Bank's unique and proprietary **Community Bank**[®] model which was created and launched more than 10 years ago has been preserved as an integral part of Bendigo and Adelaide Bank's business model and is receiving ongoing investment from our partner.

The attendance of more than 600 delegates representing 264 **Community Bank**[®] branches at the 2010 National **Community Bank**[®] Conference is testimony to the continuing support for this model.

Conclusion

As we approach our seventh anniversary, the Turramurra **Community Bank**[®] Branch continues to be one of the best performing and most highly-regarded branches in Bendigo and Adelaide Bank's **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 eighth Annual General Meeting at the Turramurra Masonic Hall at 7:00 pm on Tuesday 16 November 2010.

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

David A. Langdon

David A Langdon, Chairman
20 September 2010

Ku-ring-gai Financial Services Limited distributed
\$50,000 in Community Grants in November 2009



Branch Manager's report

Seven years on!

As we prepare for the upcoming anniversary of the opening of Turramurra **Community Bank**[®] Branch on 20 October our local Ku-ring-gai community area has much to celebrate!

The continued successful growth of our **Community Bank**[®] business during 2009-10 has enabled the board to make significant monetary contributions back to many community projects that connects all of us in one way or another. As shareholders you may be involved with, or have connections with, one of our local primary or high schools, a community organisation such as Rotary, the community garden group, various sporting clubs such as bowls, football, netball etc. which have benefited from our grants or sponsorships.

This monetary contribution from our profits has resulted from the dedication of many concerned with the running of the Turramurra **Community Bank**[®] Branch. Congratulations to the volunteer directors on our board for their commitment back to community and for the manner in which they oversee the operation of this company. We should all acknowledge and applaud their past efforts and their vision for future growth within the Ku-ring-gai local area.

I would also like to acknowledge and thank all the staff – Michele Ferris, Graham Auld (who joined us at the end of February) Jodie Chilvers, Vikki Atkins, Karen Chivas, Loretta Smith and Ruth Maher – for their continued efforts to ensure we provide outstanding customer service at all times. Our branch presents a pleasant, comfortable and happy environment for our customers to complete all their banking business.

It is timely to remind everyone that the more banking you do at your local Turramurra **Community Bank**[®] Branch the higher the monetary contribution back to community of which we are all a part. So please come in and see us! We are there to help “U”.

To the shareholders, many of whom are customers, thank you for your ongoing support and business. I know many of you are delighted with the service you receive at the bank.

It has been another successful year for Turramurra **Community Bank**[®] Branch. As your branch manager since August 2003, I am enormously proud of the branch reaching a portfolio of \$170 million but even prouder of the connections and relationships built within our community. These partnerships have eventuated from our involvement, assistance and contributions to many worthwhile community projects and events.



Denice Kelly
Branch Manager

Our wonderful staff: Vikki Atkins, Michele Ferris, Graham Auld, Ruth Maher, Loretta Smith, Denice Kelly, Jodie Chilvers and Karen Chivas

Photos: John Snelson



Bendigo and Adelaide Bank Limited report

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first Community Bank[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of Bendigo and Adelaide Bank, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

Over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins
Executive Customer and Community

Directors' report

Your directors submit the financial report of the company for the financial year ended 30 June 2010.

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

Ian McArthur Pont

Financial Controller

COMMITTEE RESPONSIBILITIES

Chairman

Ex officio member of all committees

Convenor, Finance Committee

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

Dental Surgeon

BDS(Hons), MDS

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.

Convenor, Human Resources & Operations Committee

Allan Peter Millard

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 Turrumurra and been involved in community activities for over 20 years.

Convenor, Community Engagement Committee

Clive John Hodson

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.

Community Engagement Committee

Marketing/Business Development Committee

Gregory Alan Norris

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.

Marketing/Business Development Committee

DIRECTOR'S DETAILS

Roman Zeno Tarnawsky

Company director, retail marketing and logistics (retired)

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

Roman has lived in Turrumurra 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.

Monika Stelzner

(appointed 17 November 2009)

Accountant

BBus, MBA, CPA

Monika is a Certified Public Accountant and BAS Service Provider in public practice, specialising in management accounting. She has worked with SMEs (small and medium enterprises) for over 20 years and has been a Chamber of Commerce Director.

James Alan Loxton *(retired 17 November 2009)*

Barrister

BA, LLB

Megan Pollard *(resigned 16 January 2010)*

Science teacher

BSc DipEd

Ian Peter Gordon Clarke *(resigned 22 February 2010)*

Real estate proprietor

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

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

COMMITTEE RESPONSIBILITIES

Convenor, Strategic Planning Committee

Community Engagement Committee

Community Engagement Committee

Human Resources & Operations Committee



Back: David Langdon, Ian Clarke, Peter Millard, Ian Pont, Julie Fidler (Company Secretary), Roman Tarnawsky, David Hollott (Marketing Convenor)
Front: Monika Stelzner, Denice Kelly (Branch Manager), Clive Hodson, Greg Norris

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 30 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 2010	YEAR ENDED 30 JUNE 2009
\$	\$
195,437	225,515

Significant changes in the state of affairs

No director receives remuneration for services as a company director or committee member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

Dividends

	CENTS	YEAR ENDED 30 JUNE 2010 \$
Final dividend recommended	9	83,174
Dividends paid in the year:		
As recommended in the prior year report	9	83,174

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 statements.

Matters subsequent to the end of the financial year

In August 2010 the directors resolved to commission a feasibility study to determine the viability of opening a second **Community Bank®** Branch of Bendigo Bank in Lindfield, New South Wales.

There are no other 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.

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	NUMBER
	ELIGIBLE TO ATTEND	ATTENDED
David Andrew Langdon	10	9
Ian McArthur Pont	10	5
Ian Patrick Sweeney	10	6
Allan Peter Millard	10	3
Clive John Hodson	10	6
Gregory Alan Norris (appointed 18 November 2008)	10	7
Roman Zeno Tarnawsky (appointed 18 November 2008)	10	9
Monika Stelzner (appointed 17 November 2009)	6	6
James Alan Loxton	4	4
Megan Pollard	5	4
Ian Peter Gordon Clarke	5	5

The board has sub-committees for Community Engagement, Marketing/Business Development, Finance, Human Resources & Operations and Strategic Planning (Lindfield **Community Bank**[®] Project). Sub-committees met on an *ad hoc* basis and do not maintain official records, and report to board meetings as required.

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, 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.

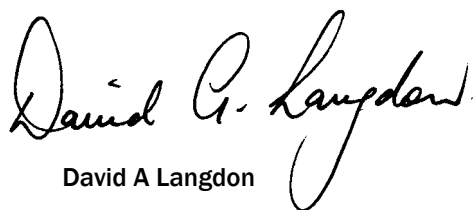
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 APES 110 Code of Ethics for Professional Accountants, 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 15.

Signed in accordance with a resolution of the board of directors at Turramurra, New South Wales
on 20 September 2010.



David A Langdon
Chairman



Ian McArthur Pont
Director

Auditor's independence declaration



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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 2010 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
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 20th day of September 2010

Statement of comprehensive income

for the year ended 30 June 2010

	NOTES	2010 \$	2009 \$
Revenues from ordinary activities	4	1,395,348	1,237,222
Employee benefits expense		(538,895)	(467,909)
Charitable donations, sponsorships, advertising and promotion		(193,311)	(111,293)
Occupancy and associated costs		(134,209)	(128,578)
Systems costs		(50,174)	(52,592)
Depreciation and amortisation expense	5	(32,734)	(29,277)
Finance costs	5	(5,318)	(4,030)
General administration expenses		(164,072)	(120,019)
Profit before income tax expense		276,635	323,524
Income tax expense	6	(81,198)	(98,009)
Profit for the period		195,437	225,515
Profit attributable to members of the entity		195,437	225,515
		¢	¢
Earnings per share (cents per share)			
– basic for profit for the year	23	21.15	24.40
– dividends paid per share	21	9.00	5.00

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2010

	NOTES	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	817,380	782,978
Trade and other receivables	8	132,865	120,914
Total Current Assets		950,245	903,892
Non-Current Assets			
Property, plant and equipment	9	245,126	215,247
Intangible assets	10	45,909	59,681
Deferred tax assets	12	19,626	12,025
Total Non-Current Assets		310,661	286,953
Total Assets		1,260,906	1,190,845
LIABILITIES			
Current Liabilities			
Trade and other payables	11	47,071	125,819
Current tax liabilities	12	21,677	21,310
Borrowings	13	19,777	15,298
Provisions	14	77,717	65,523
Total Current Liabilities		166,242	227,950
Non-Current Liabilities			
Borrowings	13	45,791	20,298
Provisions	14	9,500	15,487
Total Non-Current Liabilities		55,291	35,785
Total Liabilities		221,533	263,735
Net Assets		1,039,373	927,110
EQUITY			
Issued capital	15	883,964	883,964
Retained earnings/(Accumulated losses)	16	155,409	43,146
Total Equity		1,039,373	927,110

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2010

	ISSUED CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
Balance at 1 July 2008	883,964	(136,161)	747,803
Total comprehensive income for the year	–	225,515	225,515
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(46,208)	(46,208)
Balance at 30 June 2009	883,964	43,146	927,110
Balance at 1 July 2009	883,964	43,146	927,110
Total comprehensive income for the year	–	195,437	195,437
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(83,174)	(83,174)
Balance at 30 June 2010	883,964	155,409	1,039,373

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2010

	NOTES	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		1,358,263	1,288,644
Payments to suppliers and employees		(1,142,194)	(965,652)
Interest received		34,573	30,913
Interest paid		(5,318)	(4,030)
Income taxes paid		(88,432)	-
Net cash provided by operating activities	17	156,892	349,875
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(83,379)	(4,541)
Payments for intangible assets		14,091	(68,862)
Net cash used in investing activities		(69,288)	(73,403)
Cash Flows From Financing Activities			
Proceeds from borrowings		62,910	-
Repayment of borrowings		(32,938)	(10,118)
Dividends paid		(83,174)	(46,208)
Net cash used in financing activities		(53,202)	(56,326)
Net increase in cash held		34,402	220,146
Cash and cash equivalents at the beginning of the financial year		782,978	562,832
Cash and cash equivalents at the end of the financial year	7(a)	817,380	782,978

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2010

1 Summary of significant accounting policies

a) *Basis of preparation*

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention 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.

Comparative figures

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

Economic dependence – Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] Branch at Turrumurra.

The branch operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the **Community Bank**[®] Branch on behalf of Bendigo Bank, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fitout of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied unless other stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. 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. All revenue is stated net of the amount of Goods and Services Tax (GST).

c) 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 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 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.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

c) Income tax continued

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 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 statement of comprehensive income, 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.

d) 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.

e) Cash and cash equivalents

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.

f) 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.

g) 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

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

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

j) Borrowings

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

k) 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.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

k) Financial instruments continued

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.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company 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.

m) 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 or 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.

n) 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.

o) 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.

p) 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 taxation authority are classified as operating cash flows.

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.

(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.

Notes to the financial statements continued

2 Financial risk management continued

(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 monitor 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 2010 can be seen in the statement of comprehensive income.

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

3 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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of the useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company 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.

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.

Notes to the financial statements continued

2010	2009
\$	\$

4 Revenue from ordinary activities

Operating activities:

- margin income	757,457	637,110
- services commissions	601,270	555,142
- other revenue	4,295	8,932
Total revenue from operating activities	1,363,022	1,201,184

Non-operating activities:

- interest received	32,326	36,038
Total revenue from non-operating activities	32,326	36,038
Total revenues from ordinary activities	1,395,348	1,237,222

5 Expenses

Depreciation of non-current assets:

- motor vehicle	3,848	3,978
- furniture and fittings	3,750	2,557
- leasehold improvements	11,364	11,562

Amortisation of non-current assets:

- franchise agreement	2,295	3,529
- franchise renewal fee	11,477	7,651
	32,734	29,277

Finance costs:

- interest paid	5,318	4,030
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Bad debts	11,785	7,056
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Loss on disposal of assets	9,904	-
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	2010	2009
	\$	\$
6 Income tax expense		
The components of tax expense comprise:		
– Current tax	88,799	91,713
– Movement in deferred tax	(7,601)	288
– Recoupment of prior year tax loss	–	6,008
	81,198	98,009
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	276,635	323,524
Prima facie tax on profit from ordinary activities at 30%	82,991	97,058
Add tax effect of:		
– non-deductible expenses	4,132	3,354
– timing difference expenses	4,088	(279)
– other deductible expenses	(2,412)	(2,412)
	88,799	97,721
Movement in deferred tax 12	(7,601)	288
	81,198	98,009
Tax liabilities		
Current tax payable	21,310	–
7 Cash and cash equivalents		
Cash at bank and on hand	63,821	49,301
Term deposits	753,559	733,677
	817,380	782,978
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
7(a) Reconciliation of cash		
Cash at bank and on hand	63,821	49,301
Term deposits	753,559	733,677
	817,380	782,978
8 Trade and other receivables		
Trade receivables	119,674	109,707
Other receivables and accruals	5,075	7,322
Prepayments	3,366	3,885
Refundable deposit	4,750	–
	132,865	120,914

Notes to the financial statements continued

	2010 \$	2009 \$
9 Property, plant and equipment		
Office furniture and equipment		
At cost	38,107	33,560
Less accumulated depreciation	(10,468)	(10,342)
	27,639	23,218
Leasehold improvements		
At cost	226,539	225,313
Less accumulated depreciation	(67,021)	(55,657)
	159,518	169,656
Motor vehicle		
At cost	61,287	31,821
Less accumulated depreciation	(3,318)	(9,448)
	57,969	22,373
Total written down amount	245,126	215,247
Movements in carrying amounts:		
<i>Office furniture and equipment</i>		
Carrying amount at beginning	23,218	22,032
Additions	9,866	3,743
Disposals	(3,154)	-
Less: depreciation expense	(2,290)	(2,557)
Carrying amount at end	27,639	23,218
<i>Leasehold improvements</i>		
Carrying amount at beginning	169,656	169,418
Additions	1,226	11,800
Less: depreciation expense	(11,364)	(11,562)
Carrying amount at end	159,518	169,656
<i>Motor vehicle</i>		
Carrying amount at beginning	22,373	26,351
Additions	61,287	-
Disposals	(20,384)	-
Less: depreciation expense	(5,307)	(3,978)
Carrying amount at end	57,969	22,373
Total written down amount	245,126	215,247

	2010 \$	2009 \$
10 Intangible assets		
Franchise Fee		
At cost	71,477	71,477
Less: accumulated amortisation	(63,825)	(61,530)
	7,652	9,947
Franchise Renewal Fee		
At cost	57,385	57,385
Less: accumulated amortisation	(19,128)	(7,651)
	38,257	49,734
	45,909	59,681
11 Trade and other payables		
Trade creditors	38,272	115,701
Other creditors and accruals	8,799	10,118
	47,071	125,819
12 Tax		
Current:		
Income tax payable	21,677	91,713
Non-current:		
<i>Deferred tax asset</i>		
– Accruals	3,960	6,577
– Employee provisions	18,198	8,675
– Tax losses carried forward	–	–
	22,158	15,252
<i>Deferred tax liability</i>		
– Accruals	–	–
– Deductible prepayments	2,532	3,227
	2,532	3,227
Net deferred tax asset	19,626	12,025
Movement in deferred tax charged to statement of comprehensive income	(7,601)	(6,296)

Notes to the financial statements continued

2010	2009
\$	\$

13 Borrowings

Current:

Lease liability	18	19,777	15,298
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Non-current:

Lease liability	18	45,791	20,298
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14 Provisions

Current:

Provision for annual leave	26,660	13,430
Provision for long service leave	24,500	-
Provision for annual bonus	26,557	31,093
Provision for refurbishment	-	21,000
	77,717	65,523

Non-Current:

Provision for long service leave	9,500	15,487
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	NO.	NO.
Number of employees at year end	8	7

15 Contributed equity

924,160 ordinary shares fully paid of \$1 each (2009: 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.

Rights attached to shares continued

(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).

(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.

	2010	2009
	\$	\$
16 Retained earnings		
Balance at the beginning of the financial year	43,146	(136,161)
Net profit from ordinary activities after income tax	195,437	225,515
Dividends paid or provided for	(83,174)	(46,208)
Balance at the end of the financial year	155,409	43,146

Notes to the financial statements continued

2010	2009
\$	\$

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	195,437	225,515
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Non cash items:

- depreciation	32,734	18,097
- amortisation	9,904	11,180

Changes in assets and liabilities:

- (increase)/decrease in receivables	(11,951)	(21,223)
- (increase)/decrease in other assets	(7,601)	6,296
- increase/(decrease) in payables	(78,381)	103,770
- increase/(decrease) in provisions	16,750	6,240

Net cashflows provided by operating activities	156,892	349,875
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18 Leases

Hire purchase commitments

Payable – minimum lease payments

– not later than 12 months	26,622	15,298
– between 12 months and 5 years	51,026	24,302
– greater than 5 years	-	-

Minimum repayments	77,648	39,600
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Less future finance charges	(13,080)	(4,004)
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Present value of minimum repayments	64,568	35,596
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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% (2009: 12.49%).

The hire purchase of a motor vehicle, which commenced in December 2009, is a four year hire purchase. Interest is recognised at an average rate of 8.23%.

The hire purchase of a motor vehicle, which commenced in February 2010, is a four year hire purchase. Interest is recognised at an average rate of 7.84%.

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	106,000	101,000
– between 12 months and 5 years	236,500	330,000
– greater than 5 years	-	-

342,500	431,000
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The premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

2010	2009
\$	\$

19 Auditors' remuneration

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

– audit and review services	3,400	3,200
– non audit services	2,184	1,580
	5,584	4,780

20 Director and related party disclosures

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

NAME	OTHER RELATIONSHIPS
David Andrew Langdon	
Ian McArthur Pont	
Ian Patrick Sweeney	Director Ian Sweeney provides advertising on internet website 'www.searchmysuburb.com.au' free of charge to the company.

Allan Peter Millard
Clive John Hodson
Gregory Alan Norris
Roman Zeno Tarnawsky
Monika Stelzner (*appointed 17 November 2009*)
James Alan Loxton (*retired 17 November 2009*)
Megan Pollard (*resigned 16 January 2010*)
Ian Peter Gordon Clarke (*resigned 22 February 2010*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

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

2010	2009
\$	\$

Directors' shareholdings

David Andrew Langdon	15,001	15,001
Ian McArthur Pont	1,000	1,000
Ian Patrick Sweeney	10,000	10,000
Allan Peter Millard	–	–
Clive John Hodson	–	–
Gregory Alan Norris	5,000	5,000
Roman Zeno Tarnawsky	1,000	–
Monika Stelzner (<i>appointed 17 November 2009</i>)	2,500	2,500
James Alan Loxton (<i>retired 17 November 2009</i>)	1,501	1,501
Megan Pollard (<i>resigned 16 January 2010</i>)	–	–
Ian Peter Gordon Clarke (<i>resigned 22 February 2010</i>)	15,000	15,000

Notes to the financial statements continued

	2010	2009
	\$	\$

21 Dividends paid or provided

a) Dividends paid during the year

Prior year proposed final

100% franked dividend (2009: 0%) – 9 cents (2009: 5 cents) per share	83,174	46,208
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b) Dividends proposed and not recognised as a liability

100% (2009: 100%) franked dividend – 9 cents (2009: 9 cents) per share	83,174	83,174
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The tax rate at which dividends have been franked is 30% (2009: 0%).

Dividend proposed will be franked at a rate of 30% (2009: 30%).

c) Franking account balance

Franking credits available for subsequent reporting periods are:

– franking account balance as at the end of the financial year	123,189	–
– franking credits that will arise from payments of income tax payable as at the end of the financial year	18,319	–
– franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	–	–

Franking credits available for future reporting periods	141,508	–
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– franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	–	–
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Net franking credits available	141,508	–
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22 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.

23 Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share

195,437	225,515
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NO.	NO.
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(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

924,160	924,160
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24 Events occurring after the balance sheet date

In August 2010 the directors resolved to commission a feasibility study to determine the viability of opening a second **Community Bank®** Branch of Bendigo Bank in Lindfield, New South Wales. There have been no other events after the end of the financial year that would materially affect the financial statements.

25 Contingent liabilities

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

26 Segment reporting

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

27 Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

1273 Pacific Highway
Turrumurra NSW 2074

Principal place of business

1273 Pacific Highway
Turrumurra NSW 2074

28 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						NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS					
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets												
Cash assets	63,621	49,101	753,559	733,677	-	-	-	-	200	200	5.28	3.95
Receivables	-	-	-	-	-	-	-	-		109,707	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	19,777	18,592	45,791	17,004	-	-	-	-	8.41	9.24
Payables	-	-	-	-	-	-	-	-	47,071	125,819	N/A	N/A

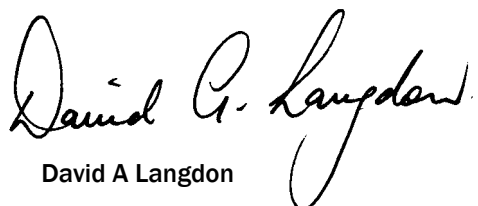
Directors' declaration

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

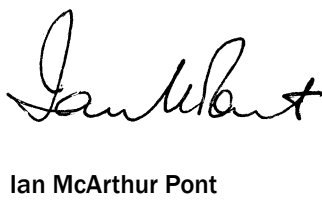
In the opinion of the directors:

- (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 2010 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 20th of September 2010

Independent audit report

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



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of Ku-ring-gai Financial Services Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, 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 Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair 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 statements comply 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 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 complied with 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 giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying 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 issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. 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 2010, complies with section 300A of the Corporations Act 2001.



David Hutchings

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

Dated this 20th day of September 2010



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