

Ku-ring-gai Financial Services Limited

ABN 56 103 129 184

2004
Annual
Report



Turrumurra
Community Bank® Branch **Bendigo Bank**



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Chairman's report

For year ending 30 June 2004

It is my pleasure to report on the progress of Ku-ring-gai Financial Services Limited during the year ended 30 June 2004.

History

Our Prospectus raised a total of \$924,150 in share capital subscriptions from more than 370 shareholders and closed in February 2004.

Following the successful fit-out of our premises at 1273 Pacific Highway and the commencement of our Manager Denice Kelly and her staff, the Turramurra Community Bank® Branch of Bendigo Bank opened for business on 20 October 2003.

Since that date, Denice and her team have produced outstanding results and provided local residents, traders and businesses with the friendly and efficient face-to-face banking services expected and appreciated by our community.

Operating results

Our Turramurra Community Bank® Branch finished the 2004 financial year with a total portfolio of almost \$30 million and approaching 1000 customer accounts.

As indicated in the Directors' report, Ku-ring-gai Financial Services Limited incurred a loss of \$194,075 during this period after provision for income tax. This result was in line with our budgeted figures.

Significant Achievements

Your Company has achieved many significant achievements and milestones during its initial 11 months of banking operations.

These include surpassing the \$30 million milestones for total business on our books and more than 1000 accounts during July 2004.

At the time of writing, we are approaching 1200 accounts and we have exceeded \$34 million in total business. Indeed, the Turramurra Community Bank® Branch is among the fastest growing branches in Bendigo Bank's 134-strong Community Bank® branch network across Australia.

We now confidently expect that our Prospectus Total Portfolio forecast of \$35.85 million will be exceeded in our first year of banking operations.

We also continue to receive extremely positive customer feedback regarding the friendly and efficient service provided by Denice and her customer service team.

During July 2004 we expanded our operations by locating a new ATM within the Turramurra Plaza to complement the ATM at our branch. This conveniently placed ATM has been instrumental in significantly increasing the business of traders operating within the Plaza as well as providing convenient access to cash for shoppers, particularly at week-ends.

We will continue to explore new opportunities to make banking in Ku-ring-gai even easier for all local residents, businesses and traders.

Despite still being in our first year of operating, we have already provided sponsorship or other financial support to numerous local clubs and community organisations.



Chairperson's report continued

Initial recipients of our direct financial support include the Turramurra High School Band, 1st East Wahroonga and 1st North Turramurra Scout groups, the Turramurra and Warrawee Bowling Clubs, the Ku-ring-gai Philharmonic Orchestra, Ku-ring-gai District Soccer Association, Wahroonga Rotary Club, the Ku-ring-gai Youth Driver Programme and the Ku-ring-gai Business Forum.

Consistent with the motivation of your Board of Directors to breathe life back into our local precincts and local businesses, the Ku-ring-gai Business Forum (KBF) is "an initiative of the Turramurra Community Bank® Branch to promote and develop opportunities for local businesses to talk with one another and foster good relations within our community".

Buoyed by the success of an inaugural dinner event, an expanded KBF organising committee has been drawn from local businesses and residents, and a number of future events have already been planned,

We plan to significantly increase our support of these and an extended list of local community initiatives during the next 12 months.

Looking ahead

The Directors have budgeted for the continued strong growth of our business portfolio during fiscal 2005.

It is extremely important that we reach our \$50 million total portfolio milestone and the associated monthly profitability within the next six months.

Building the overall business is something to which all shareholders can personally contribute. Indeed, we need our shareholders, local businesses, traders, residents, schools, clubs and associations to bring their banking business to "Our Bank".

As you are aware, "Our Bank" can provide competitive or even superior alternatives to other banks' products, within a framework of high-quality personal and professional customer service. Importantly, the profits generated from this business remain in our local community.

I therefore urge you to encourage your friends, families and acquaintances to visit our Turramurra Community Bank® Branch and talk to our staff about streamlining their personal, family and business banking arrangements. Please also be aware that our Directors and Denice Kelly are available to talk to your club or community group about the benefits of the Community Bank® concept at any time.

The Directors also intend to list the shares of Ku-ring-gai Financial Services Limited on the Bendigo Stock Exchange (BSX) during the first half of the 2005 financial year in order to provide a market for trading these shares.

Directors and staff

Your Directors met on a weekly basis during calendar 2003, and monthly during this calendar year - to plan and monitor the operations of our business.

Among our inaugural Directors, Glen Armstrong resigned in March 2004 and Lorraine Dawe, Arthur Stautner and Phil Young will stand down at our 2004 Annual General Meeting. David Thomas, a long-time Steering Committee member from 2002 joined the Board in May 2004.

Chairperson's report continued

For year ending 30 June 2004

I extend my sincere thanks to these departing Directors and the continuing Directors, along with our wonderful Secretary Julie Fidler, for the time, expertise and energy that they have individually and collectively contributed to enable the achievement of our initial successes.

I also sincerely thank and congratulate our Manager, Denice Kelly and her staff for their passion and commitment to servicing the needs of our customers, and for the many milestones that they have achieved in such a short time.

Bendigo Bank

Our partnership and relationship with Bendigo Bank continues to be very strong, and I particularly thank their Community Bank® team for the counsel, expertise and assistance provided to our staff and Board members throughout the past 12 months.

Conclusion

In conclusion, I would like to thank all of our shareholders for supporting the establishment of the Turrumurra Community Bank® Branch of Bendigo Bank.

I also remind you that your on-going support as customers will be invaluable in ensuring the success of "Our Bank".

I look forward to seeing as many of you as possible at our second Annual General Meeting on 17 November.

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



David A. Langdon
Chairman

20 September 2004

Official opening by
Cr Ian Cross (then
Mayor of Ku-ring-gai),
David Langdon
(Chairman, KSFL),
Barry O'Farrell MP
(Member for Ku-ring-gai)
and Piggy!



Manager's report

I am proud to be able to report to you, the shareholders of Ku-ring-gai Financial Services Limited, on the successful first year of operation of Our Bank - the Turrumurra Community Bank® Branch of Bendigo Bank.

This has of course not been possible without your support and the faith and confidence you showed in setting up the business.

The Turrumurra Community Bank® Branch has continued with great success through the support of local businesses and residents and with the cheerful hard work of my wonderful staff.

Customer service for my team is not just a slogan but also a reality and one of the great strengths of "Our Bank".

The objective for Turrumurra Community Bank® Branch has always been to help our local business precinct and residents by bringing back a reliable and efficient banking service that benefits not only individuals, but also the whole community.

I feel my team has made a strong start but we are looking forward to even greater achievements over the coming year.

Thank you all,



Denice Kelly
Branch Manager



The initial branch team of Locelyn Mullen, Debbie Chape, Narelle Cooper, Lisa Palmer and Branch Manager Denice Kelly on opening day, 20 October 2003.



Directors' report

For year ending 30 June 2004

Your Directors submit the financial report of the Company for the financial year ended 30 June 2004.

Directors

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

David Andrew Langdon

Chairman
Consultant

Lorraine Frances Dawe

Director
Real Estate

James Alan Loxton

Director
Barrister

Adrian John Snelson

Director
Accountant

Philip Andrew Young

Director
Pharmacist

David Francis Cardigan Thomas

Director (Appointed 24 May 2004)
Consultant

David Alan Croston

Director
Media Executive

Gregory John Edwards

Director
Software Engineer

Matthew Grant Martin

Director
Retail

Arthur Wendelin Stautner

Director
Baker

Glen James Armstrong

Director (Resigned 22 March 2004)

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

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

Rear: Dave Croston;
Greg Edwards;
David Langdon (Chairman);
Matt Martin; Phil Young;
John Snelson;
David Thomas.
Front: James Loxton;
Julie Fidler (Secretary);
Denice Kelly (Branch
Manager); Lorraine Dawe;
Arthur Stautner.



Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial year were in providing Community Bank® services under management rights to operate a franchised branch of Bendigo Bank Limited.

The Company commenced trading during the year, with the Turrumurra Community Bank® Branch of Bendigo Bank, opening its doors on 20 October 2003.

Operating results

Operations have continued to perform in line with expectations. The Company incurred a loss for the financial year after provision for income tax was (\$194,075) (2003: (\$43,436)).

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

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.

Significant events after the balance date

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.

The Directors intend that the entity should list with the Bendigo Stock Exchange (BSX). This is expected to occur during the first half of the 2005 financial year.

Likely developments

The Company will continue its policy of providing banking services to the community.

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. 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 Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Directors' report continued

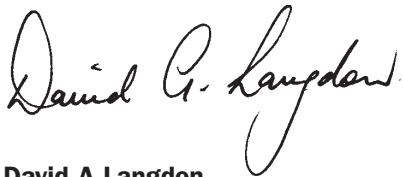
Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

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	22	21
David Alan Croston	22	18
Lorraine Frances Dawe	22	20
Gregory John Edwards	22	14
James Alan Loxton	22	21
Matthew Grant Martin	22	18
Adrian John Snelson	22	14
Arthur Wendelin Stautner	22	10
Philip Andrew Young	22	21
David Francis Cardigan Thomas (Appointed 24 May 2004)	2	1
Glen James Armstrong (Resigned 22 March 2004)	18	16

Signed in accordance with a resolution of the Board of Directors at Turramurra on 20 September 2004.



David A Langdon
Chairman

Financial statements

Statement of financial performance For the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Revenues from ordinary activities	2	121,793	5,000
General administration expenses		(96,008)	(3,936)
Salaries and employee benefits expense		(191,036)	(60,000)
Advertising and promotion expenses		(12,701)	(180)
Occupancy and associated costs		(76,724)	(1,714)
Depreciation and amortisation expense	3	(17,879)	(855)
Borrowing cost expense	3	(777)	-
Loss from ordinary activities before income tax credit		(273,332)	(61,685)
Income tax credit relating to ordinary activities	4	79,256	18,249
Loss from ordinary activities after income tax credit		(194,076)	(43,436)
Total changes in equity other than those resulting from transactions with owners as owners		(194,076)	(43,436)

The accompanying notes form part of these financial statements

Financial statements continued

Statement of financial position As at 30 June 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash assets	5	297,022	683,640
Receivables	6	18,204	14,101
Total current assets		315,226	697,741
Non-current assets			
Property, plant and equipment	7	228,308	-
Intangibles	8	50,000	59,145
Deferred tax assets	9	97,505	18,249
Total non-current assets		375,813	77,394
Total assets		691,039	775,135
Current liabilities			
Payables	10	13,624	27,106
Interest bearing liabilities	11	4,494	-
Provisions	12	9,600	-
Total current liabilities		27,718	27,106
Non-current liabilities			
Interest bearing liabilities	11	16,868	-
Total current liabilities		16,868	-
Total liabilities		44,586	27,106
Net assets		646,453	748,029
Equity			
Contributed equity	13	883,965	791,465
Accumulated losses	14	(237,512)	(43,436)
Total equity		646,453	748,029

The accompanying notes form part of these financial statements

Financial statements continued

Statement of cash flows For the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Cash received from customers		113,217	5,000
Cash paid to suppliers and employees		(397,013)	(52,825)
Interest received		18,861	-
Interest paid		(777)	-
Net cash used in operating activities	15 (b)	(265,712)	(47,825)
Cash flows from investing activities			
Payment for Franchise Agreement		-	(60,000)
Purchase of property plant and equipment		(237,042)	-
Net cash used in investing activities		(237,042)	(60,000)
Cash flows from financing activities			
Proceeds from borrowings		23,636	-
Proceeds of share issues		92,500	831,660
Payment of share issue costs		-	(40,195)
Net cash provided by financing activities		116,136	791,465
Net decrease in cash held		(386,618)	683,640
Cash at the beginning of the financial year		683,640	-
Cash at the end of the financial year	15 (a)	297,022	683,640

The accompanying notes form part of these financial statements

Notes to financial statements

For year ending 30 June 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards.

Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies are consistent with the previous year.

Income tax

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

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 statement of financial position. 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 operating cash flows.

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

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

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate (%)
Plant and equipment	2.5 - 20
Furniture and fittings	2.5 - 20

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST).

Payment terms

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

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.

Interest bearing liabilities

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

Contributed capital

Issued and paid up capital is 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.

	2004	2003
	\$	\$

NOTE 2. REVENUE FROM ORDINARY ACTIVITIES

Operating activities:

- services commissions	102,726	-
- other revenue	207	5,000
Total revenue from operating activities	102,933	5,000

Non-operating activities:

- interest received	18,861	-
Total revenue from non-operating activities	18,861	-
Total revenues from ordinary activities	121,794	5,000

NOTE 3. EXPENSES

Depreciation of non-current assets:

- motor vehicle	2,046	-
- plant and equipment	778	-
- leasehold improvements	5,909	-

Amortisation of non-current assets:

- intangibles	9,145	855
	17,879	855

Borrowing expenses:

- interest paid	777	-
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	2004	2003
	\$	\$
NOTE 4. INCOME TAX EXPENSE		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(273,332)	(61,685)
Prima facie tax on loss from ordinary activities at 30%	(81,999)	(18,505)
Add tax effect of:		
- non-deductible expenses	2,744	256
Income tax credit on operating loss	(79,255)	(18,249)

NOTE 5. CASH ASSETS

Cash at bank and on hand	98,935	683,640
Term deposit	198,087	-
	297,022	683,640

NOTE 6. RECEIVABLES

Trade receivables	13,600	14,101
Prepayments	4,604	-
	18,204	14,101

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Office furniture and equipment

At cost	20,973	-
Less accumulated depreciation	(778)	-
	20,195	-

Leasehold improvements

At cost	192,433	-
Less accumulated depreciation	(5,910)	-
	186,523	-

Motor vehicle

At cost	23,636	-
Less accumulated depreciation	(2,046)	-
	21,590	-

Total written down amount	228,308	-
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	2004	2003
	\$	\$
Movements in carrying amounts:		
Office furniture and equipment		
Carrying amount at beginning	-	-
Additions	20,973	-
Disposals	-	-
Less: depreciation expense	(778)	-
Carrying amount at end	20,195	-
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	192,433	-
Disposals	-	-
Less: depreciation expense	(5,910)	-
Carrying amount at end	186,523	-
Motor vehicle		
Carrying amount at beginning	-	-
Additions	23,636	-
Disposals	-	-
Less: depreciation expense	(2,046)	-
Carrying amount at end	21,590	-
Total written down amount	228,308	-

NOTE 8. INTANGIBLE ASSETS

Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(10,000)	(855)
	50,000	59,145

NOTE 9. DEFERRED TAX BENEFIT

Future income tax benefit

Tax losses - revenue	97,505	18,249
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NOTE 10. PAYABLES

Sundry creditors	13,624	27,106
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NOTE 11. INTEREST BEARING LIABILITIES

Current:

Hire purchase liability	4,494	-
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Non current:

Hire purchase liability	16,868	-
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	2004	2003
	\$	\$
NOTE 12. PROVISIONS		
Employee provisions	9,600	-
Number of employees at year end	5	-

NOTE 13. CONTRIBUTED EQUITY

Balance at beginning of the year	791,465	-
Fully paid ordinary shares issued	92,500	831,660
Less: equity raising costs	-	(40,195)
	883,965	791,465

NOTE 14. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(43,436)	-
Net loss from ordinary activities after income tax	(194,077)	(43,436)
Balance at the end of the financial year	(237,512)	(43,436)

NOTE 15. STATEMENT OF CASHFLOWS

(a) Reconciliation of cash		
Cash at bank and on hand	98,935	683,640
Term deposit	198,087	-
	297,022	683,640
(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Loss from ordinary activities after income tax	(194,076)	(43,436)
Non cash items:		
- depreciation	8,734	-
- amortisation	9,145	855
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,103)	(14,101)
- (increase)/decrease in other assets	(79,256)	(18,249)
- increase/(decrease) in payables	(13,482)	27,106
- increase/(decrease) in provisions	9,600	-
- increase/(decrease) in deferred payables	(2,274)	-
Net cashflows used in operating activities	(265,712)	(47,825)

	2004	2003
	\$	\$
NOTE 16. AUDITORS' REMUNERATION		
Amounts received or due and receivable by the auditor of the Company for:		
- audit & review services	2,700	900
- other services in relation to the entity	300	3,300
	3,000	4,200

NOTE 17. DIRECTOR AND RELATED PARTY DISCLOSURES

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

David Andrew Langdon
David Alan Croston
Lorraine Frances Dawe
Gregory John Edwards
James Alan Loxton
Matthew Grant Martin
Adrian John Snelson
Arthur Wendelin Stautner
Philip Andrew Young
David Francis Cardigan Thomas (Appointed 24 May 2004)
Glen James Armstrong (Resigned 22 March 2004)

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.

NOTE 18. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The entity has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). With consultation with our external auditors, the Company is ensuring that the impact of the transition to IFRS is fully reviewed and completed.

Based on current requirements, the financial statements of the Company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS have not been fully assessed due to the short timeframe between finalisation of the IFRS standards and completing this report. The impact on future years will depend on circumstances prevailing at the time of preparing relevant financial reports.

The currently identified key potential implications to the Community Bank® Branch of the conversion to IFRS are:

- a) income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities;
- b) changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements.

NOTE 19. SUBSEQUENT EVENTS

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

NOTE 20. CONTINGENT LIABILITIES

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

NOTE 21. SEGMENT REPORTING

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Turrumurra, NSW.

NOTE 22. 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

NOTE 23. FINANCIAL INSTRUMENTS

Net fair values

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

Credit risk

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

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

Interest rate risk

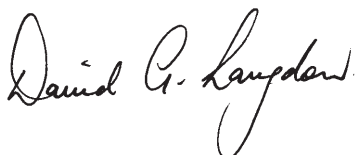
Financial Instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate			
	2004		2003		1 year or less		Over 1 to 5 years		Over 5 years		2004		2003	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%		
Financial assets														
Cash assets	98,935	683,840	-	-	-	-	-	-	-	-	-	-	-	3.25
Receivables	-	-	-	-	-	-	-	-	-	19,615	14,101	N/A	N/A	
Financial liabilities														
Interest bearing liabilities	-	-	4,494	-	-	-	16,868	-	-	-	-	-	-	8.31
Payables	-	-	-	-	-	-	-	-	-	23,224	27,106	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 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



David A Langdon
Chairman



A John Snelson
Director

Signed on the 20th of September 2004.

Independent audit report

For year ending 30 June 2004

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

Scope

We have audited the financial report of Ku-ring-gai Financial Services Limited for the financial year ended 30 June 2004 including the Directors' Declaration. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material mis-statement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the Company's financial position and performance as presented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion the financial report of Ku-ring-gai Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



David Hutchings

Andrew Frewin & Stewart

61-65 Bull Street, Bendigo, 3550

Dated this 28th day of September 2004

Corporate Directory

Directors

David Andrew Langdon (Chairman)

David Alan Croston

Lorraine Frances Dawe

Gregory John Edwards

James Alan Loxton

Matthew Grant Martin

Adrian John Snelson

Arthur Wendelin Stautner

David Francis Cardigan Thomas

Philip Andrew Young

Company Secretary

Julie Fidler

Registered office and principal place of business

1273 Pacific Highway

Turrumurra, NSW 2074

Solicitors

Rennick & Gaynor

431 Riversdale Road

Hawthorn East, VIC 3123

Auditor

Andrew Frewin & Stewart

61-65 Bull Street

Bendigo, VIC 3550

