

KU-RING-GAI
FINANCIAL SERVICES LIMITED
ABN 56 103 129 184

2005
Annual
Report



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Chairperson's report

For year ending 30 June 2005

It is my pleasure to report on the progress of Ku-ring-gai Financial Services Limited (KFSL) during the year ended 30 June 2005.



History

It's easy to forget that the Turramurra Community Bank® Branch of Bendigo Bank opened for business as recently as 20 October 2003. Accordingly, fiscal 2005 was our first full year of banking operations.

During this period, Denice Kelly and her team have again produced outstanding results, and provided local residents, traders and businesses with the professional and friendly face-to-face banking services expected and appreciated by our community.

Operating results

Our Turramurra Community Bank® Branch finished the 2005 financial year with a total portfolio of \$53.1 million and 1925 customer accounts. These outcomes represent increases of 81% and 94% respectively over 30 June 2004.

As indicated in the Directors' Report, Ku-ring-gai Financial Services Limited incurred a loss of \$137,307 during this period after provision for income tax (\$194,076 loss in 2004).

Intense competition in some market segments, pressures on margins and changes in the economy have had a negative effect on the monthly revenue generated by our portfolio and made it difficult for us to meet our budget expectations.

The Directors recommend that no dividend be paid for this period.

Significant achievements

Your Company has achieved numerous significant milestones during its first "full year" of operations.

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 weekends.

Chairperson's report continued

Earlier this year we also enhanced our premises by the addition of a second interview office and the installation of a new customer reception desk. These facilities give our staff more flexibility when meeting customers and underline our commitment to excellent customer service.

At the time of writing, we have exceeded \$59 million in total business and the Turramurra Community Bank® Branch continues to be one of the fastest growing branches in Bendigo Bank's 162-strong Community Bank® network across Australia.

Despite still being in our "early days" of operating, we have continued to provide sponsorship or other financial support to numerous local clubs and community organisations.

Initial recipients of our direct financial support included the Turramurra High School Band, First East Wahroonga and First North Turramurra Scout groups, the Turramurra and Warrawee Bowling Clubs, the Ku-ring-gai Philharmonic Orchestra, Ku-ring-gai District Soccer Association and Wahroonga Rotary Club.

New recipients during 2004/5 have included the Turramurra-based childhood intervention program - Lifestart, Ku-ring-gai's "HELP" Save Young Lives Seminar for young drivers, Wahroonga Tigers, Barker Old Boys Rugby Club, the Kokoda Trail Memorial and the Ku-ring-gai Business Forum. Our Branch was also instrumental in raising funds for the Tsunami Appeal.

Consistent with the motivation of your Board 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 our inaugural KBF dinner event in July 2004, two more "full-house" KBF Dinner events have subsequently been conducted featuring Paul Cave (CEO of BridgeClimb) and Hugh Mackay (Social commentator) as guest speakers. The next KBF Dinner will be conducted on 31 October, featuring yet another outstanding guest speaker, namely Tim Pethick, the founder of Nudie Juice.

As your Community Bank® branch we intend to significantly enhance our support of these and an expanded list of local community initiatives during the next two to three years. Indeed, our "inspiration" is the highly successful Upwey Community Bank® branch in suburban Melbourne. As a result of strong banking support from their local community, the Upwey Community Bank® Branch contributes more than \$100,000 per year into local community projects. The citizens of Upwey decide which projects receive this funding.

Your Directors also believe in investing time in the development of the youth of our community. Our newly-launched Junior Observer initiative will provide students from the Turramurra High School year

Chairperson's report continued

11 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.

Outlook and aspirations

The Directors have budgeted for the continued strong growth of our total portfolio during fiscal 2006. Indeed, your Directors and our staff are suitably focused on achieving the new financial performance goals for the branch which are to reach monthly profitability and to achieve a full-year profit for fiscal 2006.

Achievement of these financial performance goals is, of course, an essential prerequisite to the future payment of dividends to our Shareholders.

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

The Directors intend to list the shares of Ku-ring-gai Financial Services Limited on the Bendigo Stock Exchange (BSX) during the first half of calendar 2006 in order to provide a market for trading in KFSL shares. This follows the Directors' deferral of the previously planned BSX listing in calendar 2005 due to financial considerations.

Directors and staff

The Directors met on a monthly basis during fiscal 2005 - to plan and monitor the operations of our business. We also conducted a full-day Strategy Meeting in April 2005 to establish budgets, plans and priorities for the 2006 financial year.

At our second Annual General Meeting in November 2004, several new Directors were appointed. We duly welcomed new Directors, Chris Curran, Geoff Crittenden and Bruce Hall to our Board, and the return of David Thomas.

Two of our inaugural Directors, Dave Croston and Greg Edwards will stand down at our 2005 Annual General Meeting.

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 successes thus far.

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 a relatively short time.

Chairperson's report continued

Bendigo Bank

Our relationship with our partner Bendigo Bank remains very strong. I particularly thank our Relationship Manager Greg Spencer and the entire Bendigo Bank Community Bank® team for the counsel, expertise and assistance provided to our staff and Directors throughout the past 12 months.

Conclusion

In conclusion, I would like to thank all of our Shareholders for supporting the initial establishment and continuing growth of the Turrumurra Community Bank® Branch of Bendigo Bank.

I also remind you that your on-going support as customers remains invaluable in ensuring the success of Our Community Bank® branch. Indeed, I urge you to encourage your friends, families and acquaintances to visit the Turrumurra Community Bank® Branch and talk to our staff about streamlining and enhancing their personal, family and business banking arrangements.

I look forward to seeing as many of you as possible at our third Annual General Meeting on Wednesday 16 November.

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



David A. Langdon

Chairman

Manager's report 30 June 2005

It is with great pleasure that I retrace our steps over the past 12 months and report to you - the Shareholders - the success of our Community Bank® branch. Once again we have been recognised by Bendigo Bank as one of their most successful Community Bank® branches.



Many of our Shareholders are very supportive and from the complimentary comments I receive they enjoy visiting our Community Bank® branch to complete their day-to-day banking requirements. They particularly enjoy banking the old fashioned way, being greeted by real people who smile. I'm talking about Jocelyn, Debbie, Jodie, Kris and Lisa – the girls whom you meet in the branch. They all ensure that our customers are provided with exceptional customer service.

Our business growth is a reflection of the increases in new business per customer plus word of mouth referrals that have introduced a number of new customers. The penetration into the local business community is a continuing upward trend, in part because we are open 9.00 am to 5.00 pm Monday to Friday and 9.00 am to 12.00 noon on Saturday. When they need to speak to me, the “bank manager”, they can ring me directly on (02) 9488 9496 and if they are up with the latest technology they can send me a secure email via our Bendigo Bank website!

So, as a Shareholder, if you haven't moved your accounts to us yet or recommended us to any of your family, friends or business associates, isn't it time you did? You can then join the satisfied customers that have already opened over 2,000 accounts at Turramurra Community Bank® Branch of Bendigo Bank.

Please call in and see what we have to offer – you'll be pleasantly surprised at the breadth of our banking and non-banking products and services – the more banking you do at our Community Bank® branch, the more your community will prosper and enjoy the benefits.

A handwritten signature in black ink that reads "Denice Kelly". The signature is fluid and cursive, with a large loop at the end.

Denice Kelly,
Branch Manager,
Turramurra Community Bank® Branch



“Our wonderful staff – Debbie Chape,
Jocelyn Mullen, Lisa Palmer, Jodie Chilvers,
Kris Grant and Manager Denice Kelly.

Directors' report 30 June 2005

Your Directors submit the financial report of the Company for the financial year ended 30 June 2005.

Directors

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

Name	Committee responsibilities
David Andrew Langdon Consultant	Chairman Ex officio member of all committees

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

David Alan Croston Director Media Executive	Business Development Committee (Marketing)
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David runs a local Company that specialises in media placements for major Australian companies.

Geoffrey John Crittenden (Appointed 17 November 2004) Managing Director, Human Resources BSc(Hons) CEng MIMechE MICD MAIM psc me	Convenor, Human Resources Committee Governance Committee
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Geoff is a Chartered Engineer and spent 7 years working as a CEO before starting his own Human Resources Company in 2000. He is a Member of the Australian Institute of Company Directors.

Christopher Thomas Curran (Appointed 17 November 2004) Education Consultant	Business Development Committee
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Chris retired as a school principal in 2003 and is now a Director of a Company which incorporates education consultancy and the recruitment of medical personnel.



Bruce Hall, John Snelson, Chris Curran, Matt Martin, David Langdon (Chairman), Julie Fidler (Company Secretary), David Thomas and Geoff Crittenden. (Absent: Dave Croston, Greg Edwards, James Loxton)

Directors' report 30 June 2005 continued

Gregory John Edwards

Convenor, Operations Committee

Software Engineer

Human Resources Committee

BSc. (Pure Mathematics, Computer Science) Univ Sydney, 1973 BE. (Elec) Hons I, Univ Sydney, 1975

MSc. (Computer Graphics) Univ Middlesex UK, 1992

Greg is an Electrical Engineer and has worked in telecommunications, microprocessor systems, software design and 3D graphics in Australia and the UK.

Bruce William Hall

Human Resources Committee (OH&S)

(Appointed 17 November 2004)

Business Consultant

B.E. (Hons) UNSW

Bruce's skills include business planning, operations management and project management which he offers through his own consulting business. Bruce has held senior executive positions in operations, safety, marketing and engineering.

James Alan Loxton

Convenor, Governance Committee

Barrister

Finance Committee

BA, LLB

James has practised as a barrister for 23 years, based in Queens Square Chambers, Sydney.

Matthew Grant Martin

Business Development Committee (Sales)

Managing Director, Retail

Operations Committee

Matt studied economics, business law and computer programming and is proprietor of Doug Smith Appliance Parts based in Pymble.

Adrian John Snelson

Convenor, Finance Committee

Accountant

Strategic Planning Committee

John is a Fellow of the Chartered Institute of Management Accountants, Member of the Institute of Company Directors, a Certified Practising Accountant and Director of The Royal Exchange of Sydney. John was a partner with Ernst & Young from 1984 to 2000.

David Francis Cardigan Thomas

Convenor, Strategic Planning Committee

Consultant

Convenor, Business Development Committee

David runs his own consulting business following a career in financial services spanning 24 years in London, Hong Kong and Sydney. He has experience in distribution, sales and business development, financial planning, strategic planning, marketing communications, education and training.

Lorraine Frances Dawe

(Retired 17 November 2004)

Principal, Licensed Real Estate

Directors' report 30 June 2005 continued

Arthur Wendelin Stautner

(Retired 17 November 2004)

Baker

Philip Andrew Young

(Retired 17 November 2004)

Pharmacist

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

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

Company Secretary

The Company Secretary is Julie Fidler. Julie was appointed to the position of secretary at the first meeting of Directors of the Company on 11 December 2002.

Julie has worked in business administration for over 20 years and is also a Company Secretary of Atlantic Gold NL, a Company listed on the Australian Stock Exchange.

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The loss of the Company for the financial year after provision for income tax was \$137,307 (2004: \$194,076).

Remuneration report

No Director of the Company receives payment for services as a 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

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.

Directors' report 30 June 2005 continued

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.

Likely developments

The Company will continue its policy of providing 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. 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.

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' report 30 June 2005 continued

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	12	12
David Alan Croston	12	11
Geoffrey John Crittenden (Appointed 17 November 2004)	8	8
Christopher Thomas Curran (Appointed 17 November 2004)	8	8
Gregory John Edwards	12	12
Bruce William Hall (Appointed 17 November 2004)	8	8
James Alan Loxton	12	12
Matthew Grant Martin	12	12
Adrian John Snelson	12	11
David Francis Cardigan Thomas	12	9
Lorraine Frances Dawe (Resigned 17 November 2004)	4	2
Arthur Wendelin Stautner (Resigned 17 November 2004)	4	3
Philip Andrew Young (Resigned 17 November 2004)	4	2

Non-audit services

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

The Board of Directors has considered the position 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.

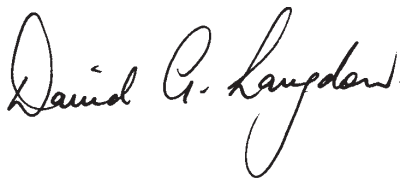
Directors' report 30 June 2005 continued

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

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

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

Signed in accordance with a resolution of the Board of Directors at Turramurra on 19 September 2005.



David A Langdon
Chairman



A John Snelson
Director

Financial statements

Statement of financial performance

For year ending 30 June 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	371,521	121,794
General administration expenses		(128,576)	(96,008)
Salaries and employee benefits expense		(277,420)	(191,036)
Advertising and promotion expenses		(22,007)	(12,701)
Occupancy and associated costs		(98,420)	(76,724)
Depreciation and amortisation expense	3	(26,620)	(17,879)
Borrowing cost expense	3	(1,608)	(777)
Profit/(loss) from ordinary activities before income tax expense/credit		(183,130)	(273,332)
Income tax expense/credit relating to ordinary activities	4	45,823	79,256
Profit/(loss) from ordinary activities after income tax expense/credit		(137,307)	(194,076)
Total changes in equity other than those resulting from transactions with owners as owners		(137,307)	(194,076)

Financial statements continued

Statement of financial position

As at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	5	111,989	297,022
Receivables and prepayments	6	48,694	18,204
Total current assets		160,683	315,226
NON-CURRENT ASSETS			
Property, plant and equipment	7	223,325	228,308
Intangibles	8	38,000	50,000
Deferred tax assets	9	143,328	97,505
Total non-current assets		404,653	375,813
Total assets		565,336	691,039
CURRENT LIABILITIES			
Payables	10	29,043	13,622
Interest bearing liabilities	11	4,882	4,494
Provisions	12	10,280	9,600
Total current liabilities		44,205	27,716
NON-CURRENT LIABILITIES			
Interest bearing liabilities	11	11,986	16,868
Total non-current liabilities		11,986	16,868
Total liabilities		56,191	44,584
Net assets		509,145	646,455
EQUITY			
Contributed equity	13	883,964	883,965
Retained profits/(Accumulated losses)	14	(374,817)	(237,512)
Total equity		509,147	646,453

Financial statements continued

Statement of cash flows

For the year ending 30 June 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		360,657	113,217
Cash paid to suppliers and employees		(540,858)	(397,013)
Interest received		10,908	18,861
Interest paid		(1,608)	(777)
Net cash provided by/(used in) operating activities	15(b)	(170,901)	(265,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(9,637)	(237,042)
Net cash provided by/(used in) investing activities		(9,637)	(237,042)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	23,636
Repayment of borrowings		(4,494)	-
Proceeds of share issues		-	92,500
Net cash provided by financing activities		(4,494)	116,136
Net increase/(decrease) in cash held		(185,032)	(386,618)
Cash at the beginning of the financial year		297,022	683,640
Cash at the end of the financial year	15(a)	111,990	297,022

Notes to the financial statements

For year ending 30 June 2005

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.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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 for 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 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 - 25
Furniture and fittings	2.5 - 25

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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.

Notes to the financial statements continued

	2005	2004
	\$	\$

Note 2: Revenue from ordinary activities

OPERATING ACTIVITIES:

- Margin income	183,960	50,628
- Commission income	174,045	52,098
- Other revenue	2,608	207
Total revenue from operating activities	360,613	102,933

NON-OPERATING ACTIVITIES:

- Interest received	10,908	18,861
Total revenue from non-operating activities	10,908	18,861
Total revenues from ordinary activities	371,521	121,794

Note 3: Expenses

DEPRECIATION OF NON-CURRENT ASSETS:

- Motor vehicle	4,426	2,046
- Plant and equipment	1,358	778
- Leasehold improvements	8,836	5,910

AMORTISATION OF NON-CURRENT ASSETS:

- Intangibles	12,000	9,145
	26,620	17,879

BORROWING EXPENSES:

- Interest paid	1,608	777
Bad debts	-	-

Notes to the financial statements continued

	2005	2004
	\$	\$

Note 4: Income tax expense

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

Operating profit/(loss)	(183,130)	(273,332)
Prima facie tax on profit/(loss) from ordinary activities at 30%	(54,939)	(81,999)
Add tax effect of:		
- Non-deductible expenses	9,116	2,744
Income tax expense on operating profit/(loss)	(45,823)	(79,255)

Note 5: Cash assets

Cash at bank	9,016	98,935
Term deposit	102,973	198,087
Cash at bank and on hand	111,989	297,022

Note 6: Receivables and prepayments

Trade receivables	44,448	13,600
Prepayments	4,246	4,604
	48,694	18,204

Note 7: Property, plant and equipment

OFFICE FURNITURE AND EQUIPMENT

At cost	27,640	20,973
Less: accumulated depreciation	(2,136)	(778)
	25,504	20,195

LEASEHOLD IMPROVEMENTS

At cost	195,403	192,433
Less: accumulated depreciation	(14,746)	(5,910)
	180,657	186,523

Notes to the financial statements continued

	2005	2004
	\$	\$

Note 7: Property, plant and equipment continued

MOTOR VEHICLE

At cost	23,636	23,636
Less: accumulated depreciation	(6,473)	(2,046)
	17,163	21,590
Total written down amount	223,324	228,308

MOVEMENTS IN CARRYING AMOUNTS:

OFFICE FURNITURE AND EQUIPMENT

Carrying amount at beginning	20,195	-
Additions	6,667	20,973
Disposals	-	-
Less: depreciation expense	(1,358)	(778)
Carrying amount at end	25,504	20,195

LEASEHOLD IMPROVEMENTS

Carrying amount at beginning	186,523	-
Additions	2,970	192,433
Disposals	-	-
Less: depreciation expense	(8,835)	(5,910)
Carrying amount at end	180,658	186,523

MOTOR VEHICLE

Carrying amount at beginning	21,590	-
Additions	-	23,636
Disposals	-	-
Less: depreciation expense	(4,427)	2,046
Carrying amount at end	17,163	21,590

Notes to the financial statements continued

	2005	2004
	\$	\$
Note 8: Intangible assets		
FRANCHISE FEE		
At cost	60,000	60,000
Less: accumulated amortisation	(22,000)	(10,000)
	38,000	50,000

Note 9: Defferred tax benefit

Future income tax benefit		
Tax losses - revenue	143,328	97,505

Note 10: Payables

Trade creditors	15,652	1,053
Other creditors and accruals	13,391	12,570
	29,043	13,623

Note 11: Interest bearing liabilities

CURRENT:

Hire purchase liability	4,882	4,494
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NON-CURRENT:

Hire purchase liability	11,986	16,868
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Note 12: Provisions

Employee provisions	10,280	9,600
Number of employees at year end	6	5

Notes to the financial statements continued

	2005 \$	2004 \$
Note 13: Contributed equity		
Balance at beginning of the year	883,965	791,465
Fully paid ordinary shares issued	-	92,500
	883,965	883,965

Note 14: Retained earnings/ accumulated Losses

Balance at the beginning of the financial year	(237,511)	(43,435)
Net profit/(loss) from ordinary activities after income tax	(137,306)	(194,076)
Dividends paid	-	-
Balance at the end of the financial year	(374,817)	(237,511)

Note 15: Statement of cashflows

(A) RECONCILIATION OF CASH

Cash at bank and on hand	9,016	98,935
Term deposit	102,973	198,087
	111,989	297,022

(B) RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER TAX TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES

Profit/(loss) from ordinary activities after income tax	(137,306)	(194,076)
NON CASH ITEMS:		
- Depreciation	14,620	8,734
- Amortisation	12,000	9,145
CHANGES IN ASSETS AND LIABILITIES:		
- (Increase)/decrease in receivables	(30,491)	(4,103)
- (Increase)/decrease in other assets	(45,823)	(79,256)
- Increase/(decrease) in payables	15,419	(13,482)
- Increase/(decrease) in provisions	680	9,600
- Increase/(decrease) in deferred payables	-	(2,274)
Net cashflows provided by/(used in) operating activities	(170,901)	(265,712)

Notes to the financial statements continued

	2005	2004
	\$	\$

Note 16: Auditors' remuneration

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

- Audit and review services	2,900	2,700
- Other services in relation to the Company	300	300
	3,200	3,000

Note 17: Director and related party disclosures

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

Name	Other relationships
David Andrew Langdon Consultant	
David Alan Croston Director Media Executive	Dave Croston is a Director of The Media Establishment Pty Ltd which provides advertising and marketing services to the Company on normal commercial terms and conditions. Amount paid during the year totalled \$2306 (2004: \$4841) and represented reimbursement of costs only.
Geoffrey John Crittenden (Appointed 17 November 2004) Managing Director, Human Resources	Geoff Crittenden is a Director of Crittendens, a division of Pulse Business Solutions, which provides recruitment services to the Company on normal commercial terms and conditions. Amount paid during the year totalled \$3147 (2004: \$0), which includes disbursements of \$2647.
Christopher Thomas Curran (Appointed 17 November 2004) Education Consultant	
Gregory John Edwards Software Engineer	
Bruce William Hall (Appointed 17 November 2004) Business Consultant	

Notes to the financial statements continued

Note 17: Director and related party disclosures continued

James Alan Loxton

Barrister

Matthew Grant Martin

Managing Director, Retail

Adrian John Snelson

Accountant

David Francis Cardigan Thomas

Consultant

Julia Thomas, wife of David Thomas, provides marketing administration services to the Company on normal commercial terms and conditions. Amount paid during the year totalled \$9868.50 (2004: \$0) which includes disbursements of \$1357.

Lorraine Frances Dawe

(Retired 17 November 2004)

Principal, Licensed Real Estate

Arthur Wendelin Stautner

(Retired 17 November 2004)

Baker

Philip Andrew Young

(Retired 17 November 2004)

Pharmacist

No Directors have material interests in contracts or proposed contracts with the Company except as set out in the Directors' Report.

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

Note 18: International Financial Reporting Standards - Impact of adopting Australian equivalents to IFRS

Entities complying with IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004. The transition is currently on schedule.

In the Company's opinion, no material impacts are expected in relation to the financial report for the year ended 30 June 2005. There are no impacts to be disclosed.

Notes to the financial statements continued

Note 18: International Financial Reporting Standards - Impact of adopting Australian equivalents to IFRS continued

Impact on the statements of financial performance: Nil

Impact on the statements of financial position: Nil

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005, there would have been no impact on the value of deferred tax assets or liabilities.

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

Notes to the financial statements continued

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.

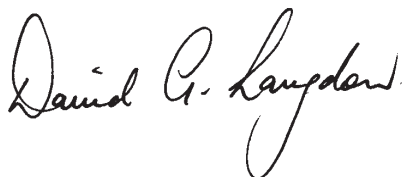
Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$				
FINANCIAL ASSETS												
Cash assets	9,016	98,935	102,973	198,087	-	-	-	-	-	-	4.92	3.88
Receivables	-	-	-	-	-	-	-	-	42,978	19,615	N/A	N/A
FINANCIAL LIABILITIES												
Interest bearing liabilities	-	-	4,882	4,494	11,986	16,868	-	-	-	-	8.31	8.31
Payables	-	-	-	-	-	-	-	-	23,327	23,224	N/A	N/A

Directors' declaration

In the Directors opinion:

- (1) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date.
- (2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



David A Langdon
Chairman



A John Snelson
Director

Signed on 19th of September 2005.

Independent audit report

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 2005 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 2005 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 19th day of September 2005

Auditor's independence declaration

As lead auditor for the audit of Ku-ring-gai Financial Services Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ku-ring-gai Financial Services Limited



David Hutchings
Auditor

Andrew Frewin & Stewart

Bendigo

VIC 3550

19-Sep-05

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ABN 56 103 129 184

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