

KU-RING-GAI FINANCIAL SERVICES LIMITED

ABN 56 103 129 184

ANNUAL REPORT 2007



Contents

Chairman's report	3
Manager's report	8
Directors' report	9
Auditor's independence declaration	15
Financial statements	16
Notes to the financial statements	20
Directors' declaration	34
Independent audit report	35

Cover photograph:
Ku-ring-gai Financial Services Limited supported the
Turrumurra High School 40th anniversary celebrations.
Piggy (Tom Green) is pictured with fellow students
(from left) Rubee McManus, Alex Turner, Mathew Watson
and KFSL Youth Observer Erin Gielis



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 2007.

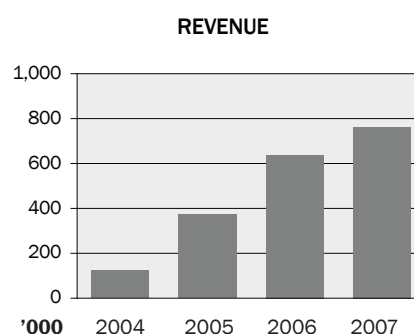
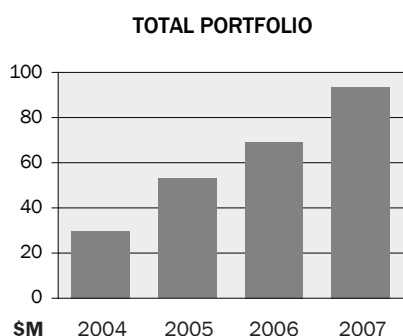
Operating results

As planned, your Directors and our staff have been focused on achieving the Board's twin fiscal 2007 financial performance goals for the company, namely to continue to strongly grow the Total Portfolio and thereby increase profitability, whilst simultaneously increasing our financial and other support to local clubs, charities and community organisations.

Our Turramurra **Community Bank**[®] Branch finished the 2007 financial year with a Total Portfolio of \$93.7 million and 3480 customer accounts. These outcomes represent increases of \$24.4 million (35.3%) and 715 (25.9%) respectively over 30 June 2006. Of this growth, our Loans portfolio increased by more than \$13.5 million which was an outstanding achievement in a highly-competitive environment.

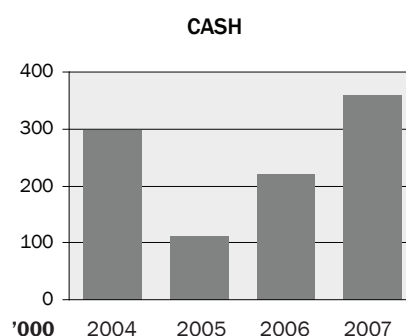
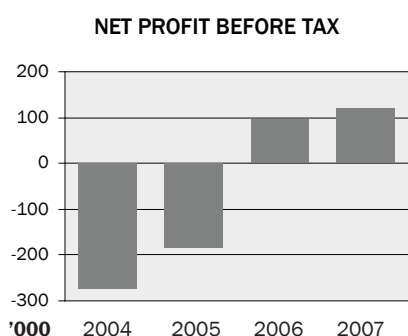
Furthermore, this very week (19 August) we reached the **Total Portfolio milestone of \$100 million** within only our fourth year of banking operations which is truly outstanding. This is a symbolic moment in the history of our Turramurra **Community Bank**[®] Branch and your company and reflects exceptionally well on the efforts and contributions of all current and former staff members.

As a result of this strong 2007 Portfolio growth, Revenue from ordinary activities grew from \$638,000 to \$765,000 during this period, an increase of \$127,000 (19.9%).



As indicated in the Directors' Report, Ku-ring-gai Financial Services Limited achieved a pre-tax profit of \$120,192 during this period (\$95,593 in 2006). After provision for income tax, the profit attributable to shareholders for the year-ended 30 June 2007 was \$82,576 (\$67,087 in 2006).

One of the pleasing consequences from our increased profitability was the resultant strong improvement in our overall Balance Sheet and in particular our Cash Assets increasing from \$220,172 to \$358,251, as indicated below.



Chairman's report continued

Dividend payment

Your Directors have declared an unchanged unfranked dividend of 4 cents per share (at a cost of \$36,966.40) for the year ended 30 June 2007.

This dividend will be paid on 31 October 2007 in respect of all shares held at midnight on 23 October 2007.

In declaring this dividend, your Directors were cognisant of the company's cash reserves, 2007 profitability and enhanced prospects for fiscal 2008.

Engaging with our community

Despite still being in relatively 'early days' of profitability, we continue to provide significant sponsorship or other financial support to numerous local clubs and community organisations.

Recipients of such support during fiscal 2007 included the Turramurra Bowling Club, Turramurra High School (donation, 40th Anniversary Fun Day sponsorship and student prizes), Kissing Point Sports Club, Ku-ring-gai SES, Novus Foundation, Lifestart, Network North (a business network especially for women who work on the North Shore) and the Ku-ring-gai Business Forum.



Bruce Hayman (left) from the Zipper & Stent Group accepts a donation from KFSL Director Matt Martin

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 five successful KBF Dinner events, two more 'full-house' KBF Dinner events have been conducted. Local business people and residents were inspired by outstanding Guest Speakers, namely Bruce Hayman of 'Kokoda with Heart' fame and former Australian Rugby Captain Nick Farr-Jones. The first of these Dinners was also successful in raising more than \$2000 for the SAN-based Zipper & Stent Group which encourages and inspires former cardiac patients to lead a healthy and active lifestyle.

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

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

Following the successes achieved during our initial two years, we have now taken on a third intake of Youth Observers for 2007/08 Erin Geilis and Alexander Tickle. In addition to attending Board meetings and other company functions, Erin and Alex have prepared a Case Study report documenting the formation of our Turramurra **Community Bank**[®] Branch.

Another major youth initiative planned for fiscal 2008 is the establishment of a Lead On program within Ku-ring-gai. Lead On is a youth focused community organisation which grows the capacity of communities by creating real world experiences for young people by linking local youths with businesses and their local communities.

Youth Observers Alex Tickle and Erin Geilis introduced speaker Nick Farr-Jones at the Ku-ring-gai Business Forum in July 2007



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

A recent survey of 100 Lead On participants across Australia found that young people gain improved 'self confidence', 'self esteem', 'ability to talk with older people' and 'sense of being part of the community' from their Lead On experience.

The Directors intend to significantly increase our financial and other support of these and an expanded list of local community engagement initiatives in fiscal 2008 and beyond.



Manager Denice Kelly and Chairman David Langdon present a donation to Murray Lennon from Ku-ring-gai SES and staff member and SES volunteer, Vikki Atkins. Customers also contributed to fundraising for the SES while staff promoted home insurance

Outlook and aspirations

The Directors have budgeted for continued strong growth of our Total Portfolio and significantly increased profitability during fiscal 2008. We have also allowed for a corresponding investment in additional staff resources and training to maintain our growth momentum.

Pleasingly, we have enjoyed very strong growth in July, particularly in comparison to prior years, and have a strong pipeline of new business opportunities.

Furthermore, we continue to grow our 2000-strong customer base and account numbers, and our strategies to deepen our customer relationships are continuing to take effect.

Achievement of these financial performance goals is, of course, an essential prerequisite to meeting our expanded Community Engagement objectives and the payment of increased dividends to our Shareholders.

Accordingly, Shareholders are encouraged to personally contribute to our continued growth and success by bringing all of their own banking business to Our Bank.

Stock Exchange listing

As reported last year, the Directors investigated the Low Volume Market as a potentially more suitable mechanism than our current unlisted environment and we duly commenced negotiations with Bendigo Bank to arrange to have the company listed on the Low Volume Market trading register.

However, delays in settling the model for that application, together with the increased profitability of the company, led the Board to resolve at its Strategic Planning day to list on the National Stock Exchange (NSX).

Discussions then started with Bendigo Bank and the NSX to complete the application but were put on hold when we were advised that Bendigo Bank intends to re-establish a Bendigo Stock Exchange (BSX) and ASIC requested that all current listing applications await the opening of that exchange.

Once we receive notice that the application can proceed, the company will proceed to listing on either the NSX or the new BSX, depending on the outcome of the above-mentioned proposal to re-establish the BSX.

Chairman's report continued

Directors' contribution

The Directors met on a monthly basis during fiscal 2007, with the exception of December 2006, to plan and monitor the operations of our business. We also conducted our annual full-day Strategy Meeting in February 2007 to establish budgets, plans and priorities for the 2008–2010 financial years.

At our fourth Annual General Meeting in November 2006, four new Directors were appointed. We duly welcomed new Directors Stuart Hackett, Ian Pont, Collin Segelov and Ian Sweeney who replaced the retiring Directors Chris Curran, Jill Hill, John Snelson and David Thomas on our Board.

Unfortunately Geoff Crittenden resigned from the Board in February 2007 due to work commitments. Geoff was appointed to the Board in 2004 and made a significant contribution as a driving force in our HR, business development, KBF and strategic planning areas as well as being involved in new Director recruitment and induction.

Three of our Directors, namely Matt Martin, Bruce Hall and Joe Bollen will stand down at our 2007 Annual General Meeting. Matt was one of our inaugural directors and managed the premises fitout program. He is Convenor of our Community Engagement Committee and is keen to remain involved in the Lead On Ku-ring-gai Program. Bruce, who has been a director for three years, has made a significant contribution in HR and OH&S and has most recently been closely involved in the coordination of our Youth Observer Program. Since he joined the Board in early 2006, we have benefited from Joe's participation in business development and marketing and his involvement in the local Turramurra business community.

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

Acknowledging our staff

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

During the past year the excellence of these customer services has again received formal recognition on several occasions. Furthermore, for the second year running, the Turramurra **Community Bank**[®] Branch received the Community Engagement Award at Bendigo Bank's 2007 Annual NSW Branch Managers' Conference.

Heather, Vikki, Ruth and Jocelyn get customers in the holiday mood to promote travel insurance



We have welcomed several new staff during the past year with Heather Leafe, Ruth Maher, Vikki Atkins and most recently Stacey Solness joining Denice's team.

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

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

Bendigo Bank

Shareholders will be aware that Bendigo Bank has already been involved in two sets of public takeover discussions during calendar 2007.

Whilst a hostile proposal from Bank of Queensland was rejected by the Board of Bendigo Bank, the Boards of Bendigo Bank and Adelaide Bank have recently announced their intention to merge and create a unique customer and partner focussed financial services organisation.

Under this proposal, the **Community Bank**[®] model will be preserved and there will be ongoing investment in this area of the business. Accordingly, we do not believe that Bendigo's merger process will disrupt our progress and our Turramurra **Community Bank**[®] Branch will be able to continue to provide outstanding service to our customers and strong financial support to our local community.

Our relationship with our partner Bendigo Bank remains very strong. I particularly thank the NSW Manager Greg Spencer, our former Regional Manager Leanne Buttrose 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.

Conclusion

It is easy to forget that our Turramurra **Community Bank**[®] Branch opened for business as recently as October 2003. Accordingly, fiscal 2007 represented only our third full year of banking operations.

With the achievement of \$100 million in total business, the Turramurra **Community Bank**[®] Branch continues to be one of the fastest growing branches in Bendigo Bank's now 200-strong community bank network across Australia.

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

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

I look forward to seeing as many of you as possible at our Fifth Annual General Meeting at the Turramurra High School on the evening of Tuesday 20 November 2007. This year's AGM will be conducted in the form of a celebration of our local community involvement during the past 12 months and promises to be an exciting evening.

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



David A Langdon
Chairman
20 August 2007



Happy third birthday!



Branch Manager's report



As shareholders you are all aware that we opened the Turramurra **Community Bank**[®] Branch on 20 October 2003. It was a momentous occasion. The day was filled with excitement and anticipation and so with great enthusiasm and optimism we began our journey. Our goal was to build a banking business that would not only offer a real alternative to the existing financial institutions in the area but would also add value by contributing to the local community.

As we approach our fourth birthday I'm very pleased to be able to report that the spirit that was so evident in 2003 is not only alive and well but is stronger than ever. The current staff, many of whom were with us on opening day, have maintained and grown the community spirit that makes our bank unique.

The staff's enthusiasm has been reciprocated by our customers, indeed it is the customers themselves and the wonderful relationships that have developed

between customers and staff that continue to renew the spirit of the bank.

Today, as the staff walk down Rohini Street, they are greeted by friends every step of the way – the best evidence that we have gone a long way towards meeting our community goal.

As we approach the \$100 million milestone – it will be a significant achievement and one that we will all be immensely proud of – the relationships are what really mark the bank's success and the 3500 accounts and approximately 2000 individual customers are more important measures.

On 2 August 2007 our staff numbers grew to nine, increasing our lending resources to further enable us to process more loan applications on site. Morale is high and I can guarantee that the friendly, caring and prompt attention that has been a hallmark of our service will continue into the next year and well beyond.

No other banking service in Turramurra offers opening hours of 9:00 am to 5:00 pm Monday to Friday and 9:00 am to 12 noon on Saturday; direct phone contact with the Manager or Jocelyn, Heather, Lisa, Jodie, Stacey, Vikki, Kris or Ruth. Call us on 9488 9496 and we will happily assist you with all your day to day banking requirements.

Once again it has been a privilege to serve the Turramurra community.

Denice Kelly
Branch Manager



Back: Jodie Chilvers, Ruth Maher,
Jocelyn Chacon, Kris Grant,
Heather Leafe
Front: Lisa Palmer, Branch Manager
Denice Kelly, Debbie Chape

Directors' report

Your Directors submit the financial report of the company for the financial year ended 30 June 2007.

Directors

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

DIRECTOR'S DETAILS

David Andrew Langdon

Consultant

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

Joseph Gerard Bollen

Artist, Designer and Vexillographer

Post Grad Design Studies

Joe is the director of local business 'My Framer' . He has over 30 years of visual communications experience including corporate identity/branding, project and event management and protocol. Joe was a vexillology (flags) consultant to the Sydney Olympic Games and other international events.

Bruce William Hall

Business Consultant

BE (Hons) UNSW

Bruce's skills include business planning, operations 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

Barrister

BA, LLB

James has practised as a barrister for 24 years, based in Queens Square Chambers, Sydney.

Matthew Grant Martin

Managing Director, Retail

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

COMMITTEE RESPONSIBILITIES

Chairman

Ex officio member of all committees

Strategic Planning/Business Development Committee

Human Resources Committee (OH&S)

Community Engagement Committee

Convenor, Governance Committee

Finance Committee

Convenor, Community Engagement Committee

Directors' report continued

DIRECTOR'S DETAILS

Stuart Philip Hackett

Management Consultant

(appointed 15 November 2006)

CPFA MBA GAICD AlnstIB

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

Ian McArthur Pont

Financial Controller

(appointed 15 November 2006)

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.

Collin Segelov

Business Consultant

(appointed 15 November 2006)

Collin is a consultant in personal, professional and corporate communication advice, coaching and support. He is a qualified journalist and a certificated financial planner and is a member of the Marketing Institute of Australia. Collin is a current or former director of several private, public and international companies.

COMMITTEE RESPONSIBILITIES

Community Engagement Committee - Sponsorships

Strategic Planning/Business Development Committee

Convenor, Finance Committee

Community Engagement Committee

Community Engagement Committee - Communications

Strategic Planning/Business Development Committee



Directors Ian Sweeney, Stuart Hackett and Collin Segelov (here with Chairman David Langdon, second from right) were elected along with Ian Pont at the 2006 Annual General Meeting

Ian Patrick Sweeney

Dental Specialist

(appointed 15 November 2006)

BDS(Hons), MDSc

Local resident and business owner of Northside Dental and Implant Centre.

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

Convenor, Human Resources & Operations Committee

Strategic Planning/Business Development Committee

Geoffrey John Crittenden *(resigned 28 February 2007)***Christopher Thomas Curran** *(retired 15 November 2006)***Marion Jill Hill** *(retired 15 November 2006)***Adrian John Snelson** *(retired 15 November 2006)***David Francis Cardigan Thomas** *(retired 15 November 2006)*

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

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

Company Secretary

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

Principal activities

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

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

Operating results

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

YEAR ENDED	YEAR ENDED
30 JUNE 2007	30 JUNE 2006
\$	\$
82,576	67,087

Directors' report continued

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

An unfranked dividend of 4 cents per share (\$36,966.40) was paid for the 2005/6 year. The directors recommend that an unfranked dividend of 4 cents per share (\$36,966.40) be paid for the current year.

	YEAR ENDED 30 JUNE 2007	
	CENTS	\$
Final dividends recommended	4	36,966
Dividends paid in the year:		
As recommended in the prior year report	4	36,966

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The directors have recommended that an unfranked dividend of 4 cents per share (\$36,966.40) be paid for the current year.

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 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 of 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 Manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' meetings

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

	NUMBER OF BOARD MEETINGS	
	ELIGIBLE TO ATTEND	NUMBER ATTENDED
David Andrew Langdon	11	10
Joseph Gerard Bollen	11	8
Bruce William Hall	11	8
James Alan Loxton	11	10
Matthew Grant Martin	11	11
Stuart Philip Hackett (<i>appointed 15 November 2006</i>)	7	7
Ian McArthur Pont (<i>appointed 15 November 2006</i>)	7	6
Collin Segelov (<i>appointed 15 November 2006</i>)	7	5
Ian Patrick Sweeney (<i>appointed 15 November 2006</i>)	7	6
Geoffrey John Crittenden (<i>resigned 28 February 2007</i>)	7	4
Christopher Thomas Curran (<i>resigned 15 November 2006</i>)	4	3
Marion Jill Hill (<i>resigned 15 November 2006</i>)	4	3
Adrian John Snelson (<i>resigned 15 November 2006</i>)	4	1
David Francis Cardigan Thomas (<i>resigned 15 November 2006</i>)	4	3

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.

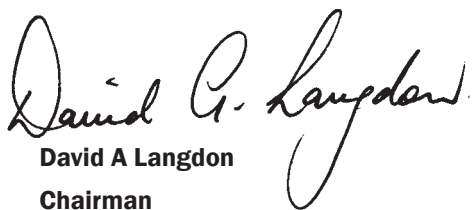
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the Board of Directors at Turramurra, New South Wales on 20 August 2007.



David A Langdon
Chairman



Ian McArthur Pont
Director

Auditor's independence declaration

As lead auditor for the audit of the financial statements of Ku-ring-gai Financial Services Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) 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
20 August 2007

Income statement

for the year ended 30 June 2007

	NOTES	2007 \$	2006 \$
Revenues from ordinary activities	3	766,452	638,402
Salaries and employee benefits expense		(354,309)	(276,913)
Advertising and promotion expenses		(22,797)	(13,973)
Occupancy and associated costs		(106,298)	(96,522)
Systems costs		(47,147)	(43,852)
Depreciation and amortisation expense	4	(25,891)	(23,663)
General administration expenses		(89,819)	(87,888)
Profit before income tax expense		120,192	95,593
Income tax expense	5	(37,616)	(28,506)
Profit for the period		82,576	67,087
Profit attributable to members of the entity		82,576	67,087

Balance sheet

as at 30 June 2007

	NOTES	2007 \$	2006 \$
Current Assets			
Cash assets	6	358,251	220,172
Trade and other receivables	7	70,216	81,959
Total Current Assets		428,467	302,131
Non-Current Assets			
Property, plant and equipment	8	216,902	211,985
Intangible assets	9	14,000	26,000
Deferred tax assets	10	77,206	114,822
Total Non-Current Assets		308,108	352,807
Total Assets		736,574	654,938
Current Liabilities			
Trade and other payables	11	43,746	55,218
Borrowings	12	5,031	11,986
Provisions	13	38,350	11,500
Total Current Liabilities		87,127	78,704
Non-Current Liabilities			
Borrowings	12	27,603	-
Total Non-Current Liabilities		27,603	-
Total Liabilities		114,730	78,704
Net Assets		621,844	576,234
Equity			
Contributed equity	14	883,964	883,964
Accumulated losses	15	(262,120)	(307,730)
Total Equity		621,844	576,234

Statement of changes in equity

for the year ended 30 June 2007

	2007	2006
	\$	\$
Total equity at the beginning of the financial year	576,234	509,147
Net profit for the year	82,576	67,087
Shares issued during period	-	-
Costs of issuing shares	-	-
Dividends provided for or paid	(36,966)	-
Total equity at the end of the financial year	621,844	576,234

Statement of cash flows

for the year ended 30 June 2007

		2007	2006
	NOTES	\$	\$
Cash flows from operating activities			
Receipts from customers		869,069	591,098
Payments to suppliers and employees		(703,156)	(481,562)
Interest received		12,999	5,072
Interest paid		(1,389)	(1,220)
Net cash inflow from operating activities	16	177,523	113,388
Cash flows from investing activities			
Payments for property, plant and equipment		(33,672)	(323)
Proceeds from sale of property, plant and equipment		10,545	-
Net cash outflow from investing activities		(23,127)	(323)
Cash flows from financing activities			
Proceeds from borrowings		34,842	-
Repayment of borrowings		(14,193)	(4,883)
Dividends paid to shareholders		(36,966)	-
Net cash outflow from financing activities		(16,317)	(4,883)
Net increase in cash held		138,079	108,182
Cash at the beginning of the financial year		220,172	111,990
Cash at the end of the financial year	6(a)	358,251	220,172

Notes to the financial statements

for the year ended 30 June 2007

1 Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Employee entitlements

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.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Payment terms

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

Trade receivables and payables

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

Borrowings

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

Provisions

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

Notes to the financial statements continued

2 Financial Risk Management

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

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

(i) **Market Risk**

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

(ii) **Price Risk**

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

(iii) **Credit Risk**

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

(iv) **Liquidity Risk**

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

(v) **Cash flow and fair value interest rate risk**

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

	2007	2006
	\$	\$
3 Revenue from ordinary activities		
Operating activities:		
– margin income	430,375	352,683
– commission income	320,964	270,353
– other revenue	1,755	8,538
Total revenue from operating activities	753,094	631,574
Non-operating activities:		
– interest received	13,358	6,828
Total revenue from non-operating activities	13,358	6,828
Total revenues from ordinary activities	766,452	638,402
4 Expenses		
Depreciation of non-current assets:		
– motor vehicle	2,981	809
– plant and equipment	1,902	1,681
– leasehold improvements	9,008	9,173
Amortisation of non-current assets:		
– franchise agreement	12,000	12,000
	25,891	23,663
Finance costs:		
– interest paid	1,389	1,220
Bad debts	–	–

Notes to the financial statements continued

	2007	2006
	\$	\$

5 Income tax expense

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

Operating profit	120,192	95,593
Prima facie tax on profit from ordinary activities at 30%	36,058	28,678
Add tax effect of:		
– non-deductible expenses	1,558	(172)
Income tax expense on operating profit	37,616	28,506
Deferred tax asset carried forward	77,206	114,822

6 Cash assets

Cash at bank and on hand	58,988	62,604
Term deposits	299,263	157,568
	358,251	220,172

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

6(a) Reconciliation of cash

Cash at bank and on hand	58,988	62,604
Term deposits	299,263	157,568
	358,251	220,172

7 Trade and other receivables

Trade receivables	66,564	78,292
Prepayments	3,652	3,667
	70,216	81,959

	2007	2006
	\$	\$
8 Property, plant and equipment		
Office furniture and equipment		
At cost	29,814	27,963
Less accumulated depreciation	(5,718)	(3,816)
	24,097	24,147
Leasehold improvements		
At cost	195,403	195,403
Less accumulated depreciation	(32,927)	(23,919)
	162,476	171,484
Motor vehicle		
At cost	31,821	23,636
Less accumulated depreciation	(1,492)	(7,282)
	30,329	16,354
Total written down amount	216,902	211,985
Movements in carrying amounts:		
<i>Office furniture and equipment</i>		
Carrying amount at beginning	24,147	25,504
Additions	1,852	323
Disposals	-	-
Less: depreciation expense	(1,902)	(1,680)
Carrying amount at end	24,097	24,147
<i>Leasehold improvements</i>		
Carrying amount at beginning	171,484	180,658
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,008)	(9,174)
Carrying amount at end	162,476	171,484

Notes to the financial statements continued

	2007	2006
	\$	\$

8 Property, plant and equipment continued

Motor vehicle

Carrying amount at beginning	16,354	17,163
Additions	31,847	-
Disposals	(23,662)	-
Less: depreciation expense	5,790	(809)
Carrying amount at end	30,329	16,354

Total written down amount	216,902	211,985
----------------------------------	----------------	----------------

9 Intangible assets

Franchise Fee

At cost	60,000	60,000
Less: accumulated amortisation	(46,000)	(34,000)
	14,000	26,000

10 Deferred Tax

Future income tax benefit

Tax losses – revenue	77,206	114,822
-----------------------------	---------------	----------------

11 Trade and other payables

Trade Creditors	33,232	37,101
Accrued expenses	10,514	18,117
	43,746	55,218

12. Interest bearing liabilities

Current:

Hire purchase liability	5,031	11,986
-------------------------	-------	--------

Non-current:

Hire purchase liability	27,603	-
-------------------------	--------	---

	2007	2006
	\$	\$
13 Provisions		
Employee provisions	38,350	11,500
Number of employees at year end (full time equivalent)	5.6	5
14 Contributed equity		
924,160 ordinary shares fully paid of \$1 each (2006: 924,160)	924,160	924,160
Less: equity raising expenses	(40,196)	(40,196)
	883,964	883,964
15 Retained Earnings/Accumulated Losses		
Balance at the beginning of the financial year	(307,730)	(374,817)
Net profit from ordinary activities after income tax	82,576	67,087
Dividends paid	(36,966)	-
Balance at the end of the financial year	(262,120)	(307,730)
16 Statement of cashflows		
Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit from ordinary activities after income tax	82,576	67,087
<i>Non cash items:</i>		
- depreciation	13,891	11,663
- amortisation	12,000	12,000
<i>Changes in assets and liabilities:</i>		
- (increase)/decrease in receivables	11,742	(33,265)
- (increase)/decrease in other assets	37,616	28,506
- increase/(decrease) in payables	(7,152)	26,177
- increase/(decrease) in provisions	26,850	1,220
Net cashflows provided by/(used in) operating activities	177,523	113,388

Notes to the financial statements continued

	2007	2006
	\$	\$

17 Dividends

(a) Ordinary Shares

Final dividend for the year ended 30 June 2006
of 4 cents per fully paid share paid on 31 October 2006

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

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of an unfranked final dividend of 4 cents per fully paid ordinary share (2006: 4 cents).

The aggregate amount of the proposed dividend paid out of profits earned for the year ended 30 June 2007, but not recognised as a liability at year end, is

	36,966	36,966
--	--------	--------

18 Auditors' remuneration

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

- audit & review services	3,000	2,700
- non audit services	1,205	300
	4,205	3,000

19 Director and Related party disclosures

NAME	OTHER RELATIONSHIPS
David Andrew Langdon	
Consultant	
Joseph Gerard Bollen	
Artist, Designer and Vexillographer	
Bruce William Hall	
Business Consultant	
James Alan Loxton	
Barrister	
Matthew Grant Martin	
Managing Director, Retail	
Stuart Philip Hackett	
Management Consultant	
(appointed 15 November 2006)	
Ian McArthur Pont	
Financial Controller	
(appointed 15 November 2006)	
Collin Segelov	
Business Consultant	
(appointed 15 November 2006)	
Ian Patrick Sweeney	
Dental Specialist	
(appointed 15 November 2006)	
Geoffrey John Crittenden	
(resigned 28 February 2007)	
Christopher Thomas Curran	
(retired 15 November 2006)	
Adrian John Snelson	
(retired 15 November 2006)	
David Francis Cardigan Thomas	Julia Thomas, wife of David Thomas, provided marketing administration services to the Company on normal commercial terms and conditions. Amount paid during the year totalled \$0 (2006: \$1343)
(retired 15 November 2006)	
Marion Jill Hill	
(retired 15 November 2006)	

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

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

Notes to the financial statements continued

20 Key management personnel disclosures

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

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

21 Events occurring after the balance sheet date

The directors have recommended that an unfranked dividend of 4 cents per share (\$36,966.40) be paid for the current year.

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

22 Contingent liabilities

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

23 Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Turramurra, New South Wales.

24 Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

1273 Pacific Highway
Turramurra NSW 2074

Principal place of business

1273 Pacific Highway
Turramurra NSW 2074

25 Financial Instruments

Net fair values

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

Credit risk

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

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

Interest rate risk

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN						NON INTEREST BEARING		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		OVER 5 YEARS					
			2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$				
Financial assets												
Cash assets	58,988	62,604	299,263	157,568	-	-	-	-	-	-	5.52	4.33
Receivables	-	-	-	-	-	-	-	-	68,101	80,203	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,031	5,089	27,603	6,897	-	-	-	-	7.75	8.31
Payables	-	-	-	-	-	-	-	-	43,746	55,218	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:

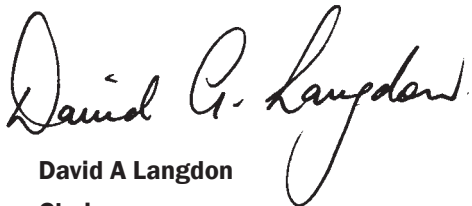
(i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and

(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 August 2007

Independent audit 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 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

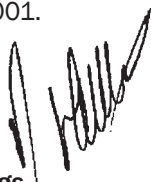
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Opinion

In our opinion, 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 financial position of Ku-ring-gai Financial Services Limited as of 30 June 2007, 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.



David Hutchings

Andrew Frewin & Stewart

61-65 Bull Street, Bendigo, 3550

Dated this 20th day of August 2007

Turrumurra **Community Bank**[®] Branch
1273 Pacific Highway Turrumurra NSW 2074
Ph 02 9488 9496 Fax 02 9488 8193

Franchisee: Ku-ring-gai Financial Services Limited
PO Box 430 Turrumurra NSW 2074
ABN 56 103 129 184

www.bendigobank.com.au Bendigo Bank Limited
Fountain Court Bendigo Vic 3550
ABN 11 068 049 178 AFSL 237879 (KKN1004) (09/06)