

Kew East Financial Services Limited
Half Year Financial Report
as at
31 December 2011

Kew East Financial Services Limited
ABN 91 096 301 058
Directors' Report

Your Directors submit their report of the Company for the half year ended 31 December 2011.

Directors

The names of directors who held office during the half year and until the date of this report are:

Rod Albury (Chairman)

Eric Thomas

Allen Borella

Kenneth Franks

Mark Heffernan

Ross McDermott

Paula Davey

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

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$169,728 (2010: \$159,737).

Matters subsequent to the end of the reporting period

The Company is currently in the Feasibility stage of opening a new branch. A valuation was performed of the Company in November 2011 and it was resolved by the Directors to issue 2 for 1 shares to current shareholders. The bonus shares have not been issued to shareholders at the date of this report.

There are no other matters or circumstances that have arisen since the end of the half year reporting period 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.

Significant changes in the state of affairs

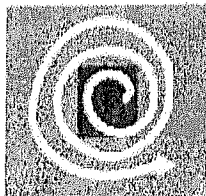
The Company ceased trading shares on the Bendigo Stock Exchange (BSX). The BSX merged with the National Stock Exchange (NSX). The trading of shares commenced on the NSX on the 1 March 2012.

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

Kew East Financial Services Limited
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Directors' Report

Auditor Independence Declaration

The directors received the following independence declaration from the auditor of the Company:



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

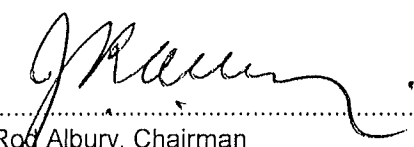
Level 2, 10-16 Forest Street
PO Box 30
Bendigo 35445 4200
Ph. 03 5445 4200
Fax. 03 5444 4344
E-mail: rsl@rsladvisors.com.au

Auditor's Independence Declaration

In relation to our review of the financial report of Kew East Financial Services Limited for the half year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty
Bendigo
12 March 2012

Signed in accordance with a resolution of the Directors at Kew
on 12 March 2012.


.....
Rod Albury, Chairman

Kew East Financial Services Limited
ABN 91 096 301 058
Condensed Statement of Comprehensive Income
for the half-year ended 31 December 2011

	2011 \$	2010 \$
Revenue from ordinary activities	666,685	657,256
Employee benefits expense	(208,860)	(209,325)
Charitable donations and sponsorship	(5,148)	(17,587)
Depreciation and amortisation expense	(12,148)	(12,754)
Other expenses from ordinary activities	<u>(198,061)</u>	<u>(189,393)</u>
Profit before income tax expense	242,468	228,197
Income tax expense	<u>(72,740)</u>	<u>(68,460)</u>
Profit after income tax expense for the half year	169,728	159,737
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the half year	<u><u>169,728</u></u>	<u><u>159,737</u></u>
Earnings per share (cents per share)		
- basic for profit for the half year	35.18	33.11
- diluted for profit for the half year	35.18	33.11

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
ABN 91 096 301 058
Condensed Statement of Financial Position
as at 31 December 2011

	31-Dec 2011 \$	30-Jun 2011 \$
ASSETS		
Current Assets		
Cash and cash equivalents	942,700	816,946
Receivables	127,561	116,229
Other	12,305	12,592
Total Current Assets	<u>1,082,566</u>	<u>945,767</u>
Non-Current Assets		
Property, plant and equipment	83,319	89,086
Deferred tax asset	26,456	28,449
Intangible assets	49,167	4,167
Total Non-Current Assets	<u>158,942</u>	<u>121,702</u>
Total Assets	<u>1,241,508</u>	<u>1,067,469</u>
LIABILITIES		
Current Liabilities		
Payables	80,925	56,060
Current tax payable	50,201	32,515
Provisions	78,137	81,626
Total Current Liabilities	<u>209,263</u>	<u>170,201</u>
Non-Current Liabilities		
Deferred tax payable	14,750	1,250
Total Non-Current Liabilities	<u>14,750</u>	<u>1,250</u>
Total Liabilities	<u>224,013</u>	<u>171,451</u>
Net Assets	<u>1,017,495</u>	<u>896,018</u>
Equity		
Issued capital	482,510	482,510
Retained earnings	534,985	413,508
Total Equity	<u>1,017,495</u>	<u>896,018</u>

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
ABN 91 096 301 058
Condensed Statement of Cash Flows
for the half-year ended 31 December 2011

	2011 \$	2010 \$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	700,391	656,776
Cash payments in the course of operations	(455,270)	(407,232)
Interest received	19,827	13,321
Income tax paid	(39,561)	(15,648)
Net cash flows from operating activities	<u>225,387</u>	<u>247,217</u>
Cash Flows Used In Investing Activities		
Purchase of intangible assets	(50,000)	-
Payments for property, plant and equipment	(1,382)	(10,551)
Net cash flows used in investing activities	<u>(51,382)</u>	<u>(10,551)</u>
Cash Flows Used In Financing Activities		
Dividends paid	(48,251)	(38,600)
Net cash flows used in financing activities	<u>(48,251)</u>	<u>(38,600)</u>
Net increase in cash held	125,754	198,066
Cash and cash equivalents at start of period	<u>816,946</u>	<u>669,263</u>
Cash and cash equivalents at end of period	<u><u>942,700</u></u>	<u><u>867,329</u></u>

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
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Condensed Statement of Changes in Equity
for the half-year ended 31 December 2011

	<u>Notes</u>	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2010		482,510	334,159	816,669
Profit after income tax expense		-	159,737	159,737
Dividends paid	5	<u>-</u>	<u>(38,600)</u>	<u>(38,600)</u>
As at 31 December 2010		<u>482,510</u>	<u>455,296</u>	<u>937,806</u>

		Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2011		482,510	413,508	896,018
Profit after income tax expense		-	169,728	169,728
Dividends paid	5	<u>-</u>	<u>(48,251)</u>	<u>(48,251)</u>
As at 31 December 2011		<u>482,510</u>	<u>534,985</u>	<u>1,017,495</u>

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2011

1. Summary of significant accounting policies

(a) Basis of preparation

Kew East Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the half year ending 31 December 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Kew East Financial Services Limited as at 30 June 2011. It is also recommended that this half year financial report be considered together with any public announcements made by Kew East Financial Services Limited during the half year ended 31 December 2011 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standard AASB 134 "Interim Financial Reporting".

For the purpose of preparing the half year financial statements the half year has been treated as a discrete reporting period.

(b) New and revised accounting requirements applicable to the half year reporting period

For the half year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Company. A discussion of these new and revised requirements that are relevant to the Company is provided below:

AASB 124- Related Party Disclosures (December 2009)

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended) including the following:

- The definition of a related party is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control over a third party, the second and third entities are related to each other; and
 - The definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exception is provided from the disclosure requirements for government related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2011

1. Basis of preparation and accounting policies (continued)

(b) New and revised accounting requirements applicable to the half year reporting period (continued)

The adoption of the amendment did not have a significant impact on the financial statements of the Company.

AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13].

This standard details numerous non urgent but necessary changes to Accounting Standards arising from the IASB's annual improvement project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian Accounting Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various standards and interpretations.

The adoption of the amendments did not have a significant impact on the financial statements of the Company.

AASB 1054: Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 and AASB 134 and Interpretations 2, 112 and 113]

AASB 1054 sets out the Australian specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

The adoption of the amendments did not have a significant impact on the financial statements of the Company.

The Company has not elected to adopt any other new standards or amendments that are issued but not yet effective.

(c) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as well as applied to the most recent annual financial statements.

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2011

2. Events subsequent to Reporting Date

The Company is currently in the Feasibility stage of opening a new branch. A valuation was performed of the Company in November 2011 and it was resolved by the Directors to issue 2 for 1 bonus shares to current shareholders. The bonus shares have not been issued to shareholders at the date of this report.

There have been no other events subsequent to reporting date that would materially effect the financial statements at the reporting date.

3. Contingent Assets and Liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

4. 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 the City of Boroondara, Victoria.

5. Dividends Paid

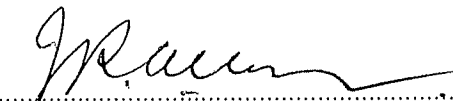
	2011	2010
	\$	\$
<i>Dividends paid during the half year</i>		
Final franked dividend for the year ended 30 June 2011 of 8 cents	38,601	38,600
Special dividend for the year ended 30 June 2011 of 2 cents	9,650	-
<i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for the year ended 30 June 2012 of 6 cents	28,951	28,951

Kew East Financial Services Limited
ABN 91 096 301 058
Directors Declaration
for the half-year ended 31 December 2011

The directors of Kew East Financial Services Limited, declare that:

- (1) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134, "Interim Financial Reporting"; and
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date.
- (2) In the directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors


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Rod Albury, Chairman

Signed at Kew on 12 March 2012