

Kew East Financial Services Limited
Financial Statements
as at
31 December 2013

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

Your Directors submit the financial report of the Company for the half year ended 31 December 2013.

Directors

The names of directors who held office during or since the end of the half-year:

Allen Borella (Chairman)

Paula Davey

Rod Albury

Ross McDermott

Mark Heffernan

Eric Thomas

Kenneth Franks

Ric Hallgren

Diana Nelson (Appointed 23 October 2013)

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 providing community banking services under management rights to operate a franchised branch of Bendigo & Adelaide Bank Limited.

Review and results of operations

The company's operating results for the half-year have been impacted by the opening of a second branch at Kew during February 2013, with costs of a one-off nature and initial losses during the establishment phase incurred. The Kew East Branch continues to operate in line with expectations. The net profit of the company for the financial period was \$43,044 (2012: \$204,888).

The company purchased the property at 643 High Street, Kew East via auction on 29 October 2013 for \$860,000. The property will be used as a permanent home for the Kew East Community Bank® and other possible activities.

Kew East Financial Services Limited
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Directors' Report

Matters subsequent to the end of the reporting period

The property at 643 High Street, Kew East purchased during the period settled on 28 January 2014. The purchase has been financed via loaned funds from Bendigo and Adelaide Bank Limited of \$600,000 and the remainder from existing cash reserves. The company has entered into two loan facilities, both secured by first registered mortgage over the property at 643 High Street, Kew East. The terms of each loan facility is as follows:

Facility Limit:	\$400,000	\$200,000
Term:	180 months	180 months
Facility Type:	Interest only for 60 months followed by principal and interest	Principal and interest

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.

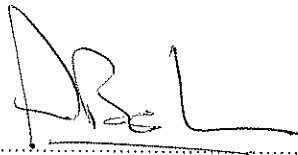
Significant changes in the state of affairs

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

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 3 for the half year ended 31 December 2013.

The director's report is signed in accordance with a resolution of the Board of Directors at Kew East, Victoria on 5 March 2014.



.....
Allen Borella, Chairperson

**Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to
the Directors of Kew East Financial Services Limited.**

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2013 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



P. P. Delahunty
Partner
Level 2, 10-16 Forest Street
Bendigo VIC 3550
Dated at Bendigo, 5 March 2014

Kew East Financial Services Limited
ABN 91 096 301 058
Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2013

	31-Dec 2013 \$	31-Dec 2012 \$
Revenue	681,602	711,564
Employee benefits expense	(391,720)	(236,689)
Depreciation and amortisation expense	(23,312)	(11,810)
Other expenses from ordinary activities	<u>(197,003)</u>	<u>(152,970)</u>
Profit before charitable donations & sponsorships	69,567	310,095
Charitable donations and sponsorship	<u>(7,364)</u>	<u>(18,026)</u>
Profit before income tax	62,203	292,069
Income tax expense	<u>(19,159)</u>	<u>(87,181)</u>
Profit for the period	43,044	204,888
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>43,044</u></u>	<u><u>204,888</u></u>
Earnings per share (cents per share)		
- basic earnings per share	2.40	14.15
- diluted earnings per share	2.40	14.15

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
ABN 91 096 301 058
Statement of Financial Position
as at 31 December 2013

	31-Dec 2013 \$	30-Jun 2013 \$
ASSETS		
Current Assets		
Cash and cash equivalents	1,052,346	1,150,489
Trade and other receivables	122,404	122,076
Investments	18,872	17,111
Current tax refundable	4,275	-
Total Current Assets	<u>1,197,897</u>	<u>1,289,676</u>
Non-Current Assets		
Property, plant and equipment	281,697	194,124
Deferred tax asset	37,537	33,782
Intangible assets	94,500	107,500
Total Non-Current Assets	<u>413,734</u>	<u>335,406</u>
Total Assets	<u>1,611,631</u>	<u>1,625,082</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	64,480	53,510
Current tax payable	-	6,245
Provisions	125,664	186,884
Total Current Liabilities	<u>190,144</u>	<u>246,639</u>
Total Liabilities	<u>190,144</u>	<u>246,639</u>
Net Assets	<u>1,421,487</u>	<u>1,378,443</u>
Equity		
Issued capital	798,218	798,218
Retained earnings	623,269	580,225
Total Equity	<u>1,421,487</u>	<u>1,378,443</u>

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
ABN 91 096 301 058
Statement of Changes in Equity
for the half-year ended 31 December 2013

		Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2012		482,510	523,147	1,005,657
Total comprehensive income for the period		-	204,888	204,888
Transactions with owners in their capacity as owners:				
Shares issued during the period		-	-	-
Costs of equity raising		(25,743)	-	(25,743)
Dividends recognised for the period	5	-	(43,426)	(43,426)
Balance at 31 December 2012		<u><u>456,767</u></u>	<u><u>684,609</u></u>	<u><u>1,141,376</u></u>
 Balance at 1 July 2013		 798,218	 580,225	 1,378,443
Total comprehensive income for the period		-	43,044	43,044
Transactions with owners in their capacity as owners:				
Shares issued during the period		-	-	-
Dividends recognised for the period	5	-	-	-
Balance at 31 December 2013		<u><u>798,218</u></u>	<u><u>623,269</u></u>	<u><u>1,421,487</u></u>

The accompanying notes form part of these financial statements

Kew East Financial Services Limited
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Statement of Cash Flows
for the half-year ended 31 December 2013

	31-Dec 2013 \$	31-Dec 2012 \$
Cash Flows From Operating Activities		
Receipts from customers	729,576	750,514
Payments to suppliers and employees	(645,366)	(493,124)
Interest received	20,659	42,148
Income tax paid	<u>(33,434)</u>	<u>(47,315)</u>
Net cash flows from operating activities	<u>71,435</u>	<u>252,223</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	<u>(97,885)</u>	<u>(769)</u>
Net cash flows used in investing activities	<u>(97,885)</u>	<u>(769)</u>
Cash Flows From Financing Activities		
Proceeds from applications for equity securities	-	309,000
Payment for equity raising costs	-	(25,743)
Dividends paid	<u>(71,693)</u>	<u>(43,426)</u>
Net cash flows from / (used in) financing activities	<u>(71,693)</u>	<u>239,831</u>
Net increase / (decrease) in cash held	(98,143)	491,285
Cash and cash equivalents at beginning of period	<u>1,150,489</u>	<u>893,733</u>
Cash and cash equivalents at end of period	<u><u>1,052,346</u></u>	<u><u>1,385,018</u></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 2013

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Kew East Financial Services Limited ("the Company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2013, together with any public announcements made during the following half-year.

(b) Accounting policies

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

(c) Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the June 2013 annual report.

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

For the half year reporting period to 31 December 2013, 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:

Fair Value Measurements and disclosures

The Company has adopted AASB 13: Fair Value Measurement and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Company for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in Note 7. Although these Standards do not significantly impact the fair value amounts reported in the Company's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(e), should be incorporated in these financial statements.

Other

Other new and amending Standards that became applicable to the Company for the first time during this half-year reporting period are as follows:

AASB 2012-2: Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities and *AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

Kew East Financial Services Limited
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Notes to the Financial Statements
for the half-year ended 31 December 2013

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

These Standards make changes to presentation and disclosure requirements, but did not affect the Company's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).

These Standards did not affect the Company's accounting policies or the amounts reported in the financial statements, mainly because the Company does not have defined benefit plan assets or obligations.

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

(e) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Kew East Financial Services Limited
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Notes to the Financial Statements
for the half-year ended 31 December 2013

(e) Fair Value of Assets and Liabilities (continued)

Valuation Techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- *Market Approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income Approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost Approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (ie transfer into and out of each level of the fair value hierarchy) on the date the event or change in circumstance occurred.

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2013

2. Events after the End of the Interim Period

The property at 643 High Street, Kew East purchased during the period settled on 28 January 2014. The purchase has been financed via loaned funds from Bendigo and Adelaide Bank Limited of \$600,000 and the remainder from existing cash reserves. The company has entered into two loan facilities, both secured by first registered mortgage over the property at 643 High Street, Kew East. The terms of each loan facility is as follows:

Facility Limit:	\$400,000	\$200,000
Term:	180 months	180 months
Facility Type:	Interest only for 60 months followed by principal and interest	Principal and interest

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.

5. Dividends

	<u>2013</u> <u>Cents</u>	<u>2013</u> <u>\$</u>	<u>2012</u> <u>Cents</u>	<u>2012</u> <u>\$</u>
Dividend paid in the period as recommended in the annual report:	4	71,693	-	-
100% fully franked				
Dividend declared and paid during the period:	-	-	3	43,426
100% fully franked				

6. Analysis of other comprehensive income

There was no other comprehensive income during the reporting period.

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2013

7. Fair Value Measurement

a. Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements are Categorised.

		Fair Value Measurements at 31 December 2013 Using:		
Description	Note	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs Other than Level 1 Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements				
Managed investments (fair value through profit or loss):				
- financial sector		18,872	-	-
- property sector		-	-	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(i)	-	-	-
Buildings		-	-	-
Non-recurring fair value measurements		-	-	-

		Fair Value Measurements at 30 June 2013 Using:		
Description	Note	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs Other than Level 1 Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements				
Managed investments (fair value through profit or loss):				
- financial sector		17,111	-	-
- property sector		-	-	-
Property, plant and equipment (at revalued amounts):				
Freehold land	(i)	-	-	-
Buildings		-	-	-
Non-recurring fair value measurements		-	-	-

There were no transfers between Level 1 and Level 2 during the reporting period.

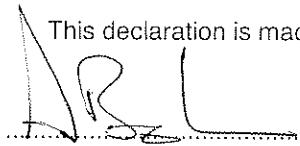
There were no fair value measurements by Level 2 or Level 3 fair value hierarchy.

Kew East Financial Services Limited
ABN 91 096 301 058
Directors Declaration
for the half-year ended 31 December 2013

In accordance with a resolution of the directors of Kew East Financial Services Limited the directors of the Company declare that:

- (1) The financial statements and notes, as set out on pages 4 to 12 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 2013 and of 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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Allen Borella, Chairperson

Signed at Kew East, Victoria on 5 March 2014



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200

Fax: (03) 5444 4344

Email: rsd@rsdadvisors.com.au

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KEW EAST FINANCIAL SERVICES LIMITED

Report on the Half-year Financial Report

We have reviewed the accompanying half year financial report of Kew East Financial Services Limited, which comprises the Statement of Financial Position as at 31 December 2013, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Kew East Financial Services Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with *Corporations Act 2001* including: giving a true and fair view of Kew East Financial Services Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kew East Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Partners:

Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy which is included in the director's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kew East Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of Kew East Financial Services Limited's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Richmond Sinnott & Delahunty
Chartered Accountants



P. P. Delahunty
Partner
Level 2, 10 – 16 Forest Street
Bendigo VIC 3550

Dated: 5 March 2014