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Chairman's report

For year ending 30 June 2006

I am pleased to present to you the fifth Annual Report of Kew East Financial Services Ltd.

Results

This has been another year of solid profitability and a continuing investment in the strength of our Company balance sheet. There has been pleasing growth in our business and we have recorded a profit after tax of \$124,629 compared with \$127,821 for the previous year. This has been achieved after distributing over \$20,000 to the local community by way of grants and sponsorship.

A final dividend (unfranked) of 3 cents a share will bring total dividends to 6 cents per share for the year. This represents 24% of our after tax profits.

Directors

The Directors continue to contribute commendable professionalism and enthusiasm, and I acknowledge and thank them all for their roles in the success of our Company.

Our staff

George Prodromidis and his staff provide friendly and efficient service in our branch. This committed team makes our bank branch unique in the eyes of our customers and I thank them for their enthusiastic contribution.

Bendigo Bank

The success of our Company is, to a significant degree, dependent on the standing and success of Bendigo Bank. The bank's ongoing support and encouragement has been invaluable, as has been the special status it enjoys within the Australian financial services sector.

Going forward

Now that the strength of our Company is growing and we are producing steady profits, we are directing our efforts towards supporting as many community based projects in our municipality as possible.

This year we distributed grants equal to approximately 5% of our after tax profits to community projects, and it is our policy to lift this to at least 10% in future years. We continue to identify groups and organisations which will put the funds to good use in the community.

Chairman's report continued

This year we celebrate the fifth anniversary of the opening of our Kew East **Community Bank**® Branch on 3 December 2001.

Thank you for your loyalty and support. Your commitment to help us grow will enable us to continue to make a difference in our community.



J Mc Connell
Chairman

Manager's report

For year ending 30 June 2006

We are fast approaching five years of trading, but it doesn't seem that long ago that we were opening our doors and welcoming our first customers.

Thanks to the support of the local community, we continue to open an average 30 new accounts each month.

For the 2005/06 financial year, the Kew East **Community Bank**[®] Branch has contributed more than \$20,000 to our local community in the way of sponsorships and grants.

Our Company has also paid a total of \$0.06 cent per share in dividends.

The feedback from the community about our branch's contributions has been overwhelming and each time we've put money back into the community, we've seen a growth in our portfolio.

Over the past 12 months, our banking business has grown to just over \$87 million.

Thanks to our business partner Bendigo Bank we continue to provide a full range of banking products, together with products exclusive to the Bendigo, such as Homesafe.

It is this range of banking products, together with the outstanding service my team provides to our customers that has contributed to the success and growth of our branch.

Obviously our success and future growth is very much a team effort, and I would like to acknowledge the support of our staff Marie, Jenny, Diane, Glenda, Leony and Elie for the professional manner in which they deliver the personal customer service that gives the Bendigo its point of difference.

And again I wish to also thank the Board who give freely of their time, ensuring the continued success of your **Community Bank**[®] branch.

Support your branch, that helps support your local community.



George Prodromidis
Branch Manager

Directors' report

For year ending 30 June 2006

The Directors present their report together with the financial statements of Kew East Financial Services Ltd ("the Company") for the year ended 30 June 2006 and the Auditors' report thereon.

1. Directors in office

The Directors in office at any time during or since the end of the period are:

Name and position held	Qualifications	Experience
John McConnell Chair	B.Com; Dip Banking; FAICD; FAIM; F Fin	Former bank executive, Company Director
Sue Allen Deputy Chair, Chair of Compliance & Treasury committee, Chair of Investment committee, Treasurer	Dip Bus Studs (Acc); Dip Fin Planning; CPA (FPS); CA, CFP® ; MAICD	Runs own financial planning business, serves on a non-for-profit Board
Robert Ball Company Secretary	Barrister & Solicitor	Runs own legal practice
Shane Pappas Chair of Marketing & Promotions committee	Dip Eng (Mech); Masters of Business (Management)	Operations Manager
Eric Thomas Chair of Community Grants committee	FCA	Chartered accountant
Rod Albury	T.P.T.C; B Ed; Dip Art; F.R.M.I.T	Retired, former school principal, member of Kew Community Festival Committee
Allen Borella		Runs own automotive business
Ken Franks	Licensed Land Surveyor	Property investor, past chair of Harp Village Business Association
Geoff Thomas		Funds management

Directors have been in office since the start of the period unless otherwise stated.

Directors' report continued

2. Company Secretary

The Company Secretary is Robert Ball. Mr Ball is a practising barrister and solicitor.

3. Principal activities of the Company

The Company is engaged in operating a banking franchise in Kew East. It provides retail and commercial banking and financial services, including deposit taking, lending, financing, insurance and financial planning facilities.

4. Results

The profit of the Company, after providing for income tax of \$11,049 (2005:\$0), amounted to \$124,629 (2005: \$127,821) for the year.

5. Dividends paid or declared

A final dividend for 2005 of three cents per share, totalling \$14,475 (2004: \$0) was paid on 15th November 2005.

An interim dividend for 2006 of three cents per share, totalling \$14,475 (2005: \$9,650) was paid on 28th April 2006.

Both dividends were unfranked.

A final dividend for 2006 of three cents per share, totalling \$14,475, is proposed for payment on 15th November 2006. This dividend will be unfranked.

6. Review of operations

The Company continued its banking operations for the year ended 30 June 2006. Business is still growing and profits are steadily increasing. Grants of \$6,400 (2005: \$0) have been paid to local community groups. During the year the Company applied for, and was granted, listing on the Bendigo Stock Exchange.

7. Events subsequent to balance date

There has not arisen in the interval between the end of the year and the date of this report any other matter or circumstance, in the opinion of the Directors of the Company, that has 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 the subsequent financial year.

8. Future developments

The Company expects to continue offering banking and financial services to the community in Kew East and surrounding areas. The Directors are not aware of any specific developments which are likely to have a significant effect on the operations of the Company or the expected results of those operations.

Directors' report continued

9. Directors' insurance

During the year, the Company has paid premiums to insure the Directors and Officers of the Company in respect of liabilities to other persons that may arise as a result of their position as Directors or Officers of the Company. The amount of the premiums and nature of the liabilities are subject to a confidentiality clause in the insurance policy.

10. Related party transactions

An entity associated with Sue Allen has received payments of \$9,900 (2005: \$9,900) during the financial period for accounting services rendered on commercial terms and conditions.

No other Director has received a payment.

11. Directors meetings

Number of meetings held and attended:

	Board		Committees					
	Held	Attended	Marketing		Community grants		Investments	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John McConnell	10	8						
Sue Allen	10	10					1	1
Shane Pappas	10	9	6	6				
Robert Ball	10	10						
Rod Albury	10	10	6	6	3	3		
Allen Borella	10	9	6	4				
Ken Franks	10	8	6	4				
Geoff Thomas	10	10	6	6			1	1
Eric Thomas	10	10			3	3	1	1

Directors' report continued

12. Directors' shareholdings

Shares in the Company owned by Directors or associated entities are:

Name	Shares held	Name	Shares held
John McConnell	-	Sue Allen	6,000
Shane Pappas	10,000	Robert Ball	2,001
Rod Albury	-	Allen Borella	501
Ken Franks	5,001	Geoff Thomas	14,001
Eric Thomas	1,001		

13. Remuneration

The Company does not pay remuneration to Directors for their activities as Directors.

For the financial year ended 30 June 2006, the Company has paid or provided a salary, including bonus, of \$106,139 (2005: \$100,402) to its branch Manager.

The branch Manager's bonus is paid according to a pre-determined matrix of performance outcomes, including achieving budget for growth in the business, and results of an annual performance review conducted by Bendigo Bank Ltd. The annual review focuses on matters such as the quality of our customer relationships, the standing of the Company in the local community and the level of service provided by our staff. These matters all contribute to the Company's growth and profitability.

The bonus for the year ended 30 June 2006 represented 6.4% (2005: 2.5%) of salary.

14. Corporate governance

The Company recognises the need for the provision of strategic direction and sound oversight by the Board, to enable management to carry out its responsibilities within broadly defined parameters and without the day to day intervention of the Board.

The Company has adopted policies which define the different roles of Board and management, and which govern the way in which the Board discharges its duties. Additionally, the Franchise Agreement which governs the Company's operations as a Bendigo Bank **Community Bank**® branch also sets out roles and responsibilities of both the Board and management.

Role of the Board

It is the role of the Board to provide strategic leadership. It does this by having a focus on the future, and acting proactively to identify new opportunities for developing the Company's operations. It holds annual Board retreats where strategic issues can be aired and deliberated on without the need to conduct regular business. Additionally, part of each monthly business meeting is set aside to consider strategic issues.

Directors' report continued

Role of management

It is the role of management to carry out the day to day operations of the business, supervising branch staff and liaising with customers, sponsored groups, Bendigo Bank Ltd and other stakeholders within our community.

The Manager has undertaken all training required by Bendigo Bank Ltd, and is also undertaking additional training required by the Company to ensure the role of Manager is carried out diligently.

The Manager reports in writing to the Board at its monthly business meetings on matters such as business development, staffing, compliance with Financial Services legislation, and any branch issues which need to be brought to the attention of the Board.

Board structure

The Board is composed of nine individuals who each have experience in running small businesses or as Managers in large corporations. At least one has banking experience, while two are accountants and one is a solicitor. These four members together are responsible for compliance matters within the Company.

The Board has established a number of committees to assist it with its ongoing business. These are: Marketing, Community Grants, Compliance & Treasury and Investment. The Board does not have a separate Audit committee, however this function is delegated to the Compliance & Treasury committee.

Board members are appointed for three year terms, and are able to offer themselves for re-election at the expiration of each term.

During 2005, the Board undertook a training program run by the Australian Institute of Company Directors, designed especially to introduce **Community Bank**® Directors to the legal and fiduciary responsibilities of Directors. This was attended by all Directors who had not undertaken this type of training elsewhere.

During 2006, the Board undertook an annual Performance Review which followed a format established by Bendigo Bank Ltd.

Board conduct

The Company has a policy setting out the conduct expected of the Board and its members. Under this policy, the Board has committed itself to carrying out its duties in an ethical manner. The Board recognises its legal duty to act in good faith, for the benefit of Shareholders, and to either avoid or declare all or any potential conflicts of interest which may arise.

The Board is cognizant that the Company represents Bendigo Bank Ltd in its operations, and seeks to avoid any activity which may bring Bendigo Bank or the **Community Bank**® network into disrepute.

The Board also recognises its responsibility to provide a secure workplace environment for Company staff, ensuring that all staff are treated with due respect.

Financial reporting

The Board has appointed a treasurer who is responsible for keeping accurate and up-to-date books of account, and for complying with all legal accounting requirements such as reports to the Bendigo Stock Exchange, the Tax Office, and the Australian Securities and Investment Commission.

Directors' report continued

The treasurer provides a written management report to the Board's monthly business meeting, giving cash flow information as well as actual results compared with budget.

Shareholders rights

The Company recognises the rights of Shareholders to have regular and up-to-date information concerning the progress of the Company. During 2006, the Company enhanced those rights by applying for and gaining listing on the Bendigo Stock Exchange (BSX). Shareholders now have the ability to access the half-yearly accounts of the Company as well as having the annual accounts mailed to them and having the opportunity to attend the Annual General Meeting of the Company.

Shareholders also receive informal communications by way of newsletters each six months, giving information about the branch and promotional activities conducted by the Board.

Risk management

The Company has established a risk register, detailing perceived risks to the business and measures taken to either eliminate, mitigate and/or insure those risks. This register is reviewed annually by the Board.

15. Non-audit services

The Board of Directors is satisfied that the provision of non-audit services by the external Auditor during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Compliance & Treasury committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- The nature of the services provided do not compromise the general principles relating to Auditor independence as set out in the Institute of Chartered Accountants in Australia Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/ payable to the external Auditors during the year ended 30 June 2006: \$Nil (2005: \$Nil).

16. Auditors independence declaration

The lead Auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 27 of this financial report.

Directors' report continued

17. Proceedings on behalf of the Company

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Dated at Melbourne, Victoria on 13 September 2006.

Signed in accordance with a resolution of the Directors:



John McConnell
Director



Robert Ball
Director

Auditor's independence declaration

Armstrong Partners

CHARTERED ACCOUNTANTS

Telephone: 9695 5500
Fax: 9696 7259

13 September 2006

The Board of Directors
Kew East Financial Services Limited
661A High Street
Kew East VIC 3102

Dear Board Members

Auditors Independence Declaration

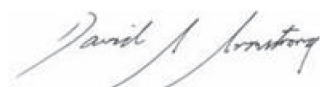
In accordance with sections 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Kew East Financial Services Limited.

As lead audit partner for the audit of the financial statements of Kew East Financial Services Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief 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) no contraventions of any applicable code of professional conduct in relation to the review;

The independence of Armstrong Partners in respect of the audit of the financial statements of Kew East Financial Services Limited for the year ended 30 June 2006 has not been impaired by the inadvertent contraventions of the auditor independence requirements of the Corporations Act 2001.

Armstrong Partners



.....
David Armstrong
Principal

Melbourne
13 September 2006

Suite 21, Level 5, Sth Melbourne Vic 3205 Australia.

Ph: (61 3) 9695 5500. Fax: (61 3) 9696 7259.

Principals - David Armstrong, F.C.A. M.B.A. (Melb), Daniel Dubois C.A.

Armstrong Partners (Aust.) Pty Ltd. A.B.N. 32 088 038 831

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenue from ordinary activities	2(b)	669,197	568,393
Depreciation and impairment	2(a)	(35,307)	(36,237)
Borrowing costs		-	(1,276)
Employee costs		(318,861)	(261,219)
Other expenses from ordinary activities		(179,351)	(141,840)
Profit before income tax expense		135,678	127,821
Income tax expense	3	(11,049)	-
Net profit for the year		124,629	127,821
Earnings per share (cents)		25.8	26.5
Dividends per share (cents)	4	6.0	5.0

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash	6	284,657	141,768
Receivables	7	62,533	50,386
Total current assets		347,190	192,154
Non-current assets			
Property, plant and equipment	8	178,206	173,812
Other assets	9	19,643	20,000
Total non-current assets		197,849	193,812
Total assets		545,039	385,966
Current liabilities			
Accounts payable	10	80,935	34,225
Provisions	11	45,810	29,126
Total current liabilities		126,745	63,351
Total liabilities		126,745	63,351
Net assets		418,294	322,615
Equity			
Issued capital	12	482,510	482,510
Retained earnings (losses)	5	(64,216)	(159,895)
Total equity		418,294	322,615

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

For year ended 30 June 2006

	Ordinary Shares \$	Retained earnings \$	Total \$
Balance at 1 July 2004	482,510	(278,066)	204,444
Profit attributable to members of the Company	-	127,821	127,821
Dividends paid	-	(9,650)	(9,650)
Balance at 30 June 2005	482,510	(159,895)	322,615
Profit attributable to members of the Company	-	124,629	124,629
Dividends paid	-	(28,950)	(28,950)
Balance at 30 June 2006	482,510	(64,216)	418,294

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Receipts from customers		712,999	616,781
Interest received		8,962	1,468
Payments to suppliers & employees		(519,022)	(441,136)
Community grants paid		(6,400)	-
Borrowing costs paid		-	(1,276)
Net cash provided by operating activities	14	196,539	175,837
Cash flows from investing activities			
Payment for property, plant & equipment		(24,700)	(246)
Net cash provided by (used in) investing activities		(24,700)	(246)
Cash flows from financing activities			
Dividends paid		(28,950)	(9,650)
Repayment of borrowings		-	(53,615)
Net cash provided by (used in) financing activities		(28,950)	(63,265)
Net increase in cash held		142,889	112,326
Cash at beginning of period		141,768	29,442
Cash at end of period	6	284,657	141,768

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers Kew East Financial Services Limited, a public Company, listed on the Bendigo Stock Exchange and incorporated and domiciled in Australia.

The financial report of Kew East Financial Services Limited complies with all Australian equivalents to International Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Basis of preparation

First time adoption of Australian Equivalents to International Financial Reporting Standards

Kew East Financial Services Limited has prepared financial statements in accordance with AIFRS from 1 July 2005.

These accounts are the first financial statements of Kew East Financial Services Limited to be prepared in accordance with AIFRS. No adjustments have been deemed necessary to the accounts of Kew East Financial Services Limited in order to bring them into alignment with AIFRS. The accounting policies set out below have been consistently applied to all years presented, except where specifically noted.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Income tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

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

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond any reasonable doubt.

The amount of assets brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive

Notes to financial statements continued

Note 1: Statement of significant accounting policies continued

sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Property, plant and equipment

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

The depreciable amount of all fixed assets is depreciated on a written down value basis over their estimated useful lives to the Company commencing from the time the asset is held ready for use.

Depreciation rates being used are:

- Plant & equipment 15% pa
- Office furniture & equipment 10% pa
- Fixtures & fittings 5% pa

Intangibles

The franchise fee is being amortised straight line at 30% pa so that it is fully written down at the expiration of the current franchise agreement and before payment of any appropriate renewal fee. An impairment test has been conducted with no further writedown in the value of the franchise asset necessary.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, and investments in money market instruments maturing within less than twelve months.

Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits.

Contributions are made by the Company to an employee's superannuation fund and are charged as expenses when incurred.

Notes to financial statements continued

Note 1: Statement of significant accounting policies continued

Revenue recognition

Revenue from the provision of services to customers is recognised in the period during which the service was provided. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

	2006	2005
	\$	\$

Note 2: Profit from ordinary activities

(a) Profit (loss) from ordinary activities before income tax has been determined after:

Charging as expense:

Borrowing costs:	-	1,276
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Movement in provisions:

Employee provisions	16,684	5,471
Depreciation of plant & equipment	12,878	15,150
Depreciation of office furniture & equipment	1,343	2,358
Depreciation of fixtures & fittings	6,084	3,729
Annual impairment of franchise fee	15,000	15,000
Community grants	6,400	-

(b) Revenue from ordinary activities:

Included in operating profit are the following items of operating revenue:

Interest	9,176	2,033
Banking income	660,021	566,360
	669,197	568,393

Notes to financial statements continued

	2006 \$	2005 \$
Note 3: Income tax expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax expense on profit from ordinary activities before income tax at 30%	40,703	38,346
Add tax effect of:		
Non-deductible items	6,420	4,500
Less tax effect of:		
Recognition of prior years tax losses	(36,074)	(42,846)
Income tax expense attributable to profit from ordinary activities	11,049	-
The entity has tax losses available for use in future periods of:	-	120,245

Note 4: Dividends

Dividends paid or proposed on ordinary shares:

Final dividend proposed for 2006, but not recognised as a liability (3 cents per share) (2005: 3 cents per share)	14,475	14,475
Interim dividend paid during the financial period (3 cents per share) (2005: 2 cents per share)	14,475	9,650

All dividends are unfranked.

Note 5: Retained earnings

Retained profits (losses) at the start of the period	(159,895)	(278,066)
Net profit attributable to members of the Company	124,629	127,821
Dividends paid	(28,950)	(9,650)
Retained profits (losses) at the end of the period	(64,216)	(159,895)

Notes to financial statements continued

	2006 \$	2005 \$
Note 6: Cash		
Cash at bank – operating	284,557	141,668
Cash on hand	100	100
	284,657	141,768

Note 7: Receivables

Current

Debtors	61,755	49,173
Prepayments	-	648
Accrued income	778	565
	62,533	50,386

Note 8: Property, plant and equipment

Plant & equipment, at cost	136,201	136,201
Less: accumulated depreciation	(63,224)	(50,345)
	72,977	85,856
Office furniture & equipment, at cost	32,240	26,025
Less: accumulated depreciation	(10,238)	(8,895)
	22,002	17,130
Fixtures & fittings, at cost	103,989	85,504
Less: accumulated depreciation	(20,762)	(14,678)
	83,227	70,826
Total property, plant and equipment	178,206	173,812

Notes to financial statements continued

	2006	2005
	\$	\$

Note 9: Other assets

Non-current

Deferred tax asset	14,643	-
Intangibles – franchise fees, at cost	50,000	50,000
Less: accumulated impairment	(45,000)	(30,000)
	19,643	20,000

Note 10: Accounts payable

Current

Accrued creditors	37,389	18,292
Company tax payable	25,692	-
GST payable	17,854	15,933
	80,935	34,225

Note 11: Provisions

Current

Employee entitlements	45,810	29,126
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Note 12: Issued capital

482,510 fully paid ordinary shares	482,510	482,510
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Note 13: Auditors' remuneration

- For auditing or reviewing the financial report	6,022	5,500
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Notes to financial statements continued

	2006	2005
	\$	\$
Note 14: Cash flow information		
Reconciliation of cash flow from operations		
with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	124,629	127,821
Depreciation and impairment	35,307	36,237
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	(12,582)	(5,936)
(Increase) decrease in other receivables	(14,209)	4,672
(Decrease) increase in trade creditors	46,710	394
(Decrease) increase in other creditors and provisions	16,684	12,649
Net cash inflow from operating activities	196,539	175,837

Note 15: Related party transactions

An entity associated with Sue Allen has received payments of \$9,900 (2005: \$9,900) during the financial period for accounting services rendered on commercial terms and conditions.

No other Director has received a payment.

Note 16: Capital commitments

There are no known capital commitments for Kew East Financial Services Ltd.

Note 17: Contingent liabilities

There are no known contingent liabilities for Kew East Financial Services Ltd.

Note 18: Segment reporting

Kew East Financial Services Ltd operates in the financial services sector where it provides banking and financial services to its customers. The Company operates in the geographic area of Kew East.

Note 19: Events after balance date

No events have occurred between the end of the financial period and the signing of this report which would have impacted on the result for the year.

Notes to financial statements continued

Note 20: Financial instruments

(a) Financial instruments

(i) Derivative financial instruments:

The Company does not utilise derivative financial instruments

(ii) Unrecognised financial instruments

A. Forward exchange contracts

The Company does not utilise forward exchange contracts

B. Interest rate swaps

The Company does not utilise interest rate swap contracts

(b) Net fair values

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

(c) 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 Balance Sheet and notes to the financial statements.

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

(d) Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets & liabilities, is as follows:

Financial instrument	Floating Interest rate		Fixed interest rate maturing in 1 year or less		Non-interest bearing		Weighted average effective interest rate	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	\$	\$	\$	\$	\$	\$	%	%
Financial assets								
Cash assets	95,790	56,854	179,270	75,000	9,597	9,914	5.00	5.00
Receivables	-	-	-	-	62,533	50,386		
Total financial assets	95,790	56,854	179,270	75,000	72,130	60,300		
Financial liabilities								
Payables	-	-	-	-	80,935	34,225		
Total financial liabilities	-	-	-	-	80,935	34,225		

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes
 - (a) comply with Accounting Standards and the Corporations Act; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and performance for the year ended on that date of the Company;
2. The Chief Executive Officer and Chief Financial Officer each declare that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001; and
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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



John McConnell
Director



Robert Ball
Director

Dated at Melbourne, Victoria on 13 September 2006

Independent audit report

Armstrong Partners

CHARTERED ACCOUNTANTS

KEW EAST FINANCIAL SERVICES LIMITED A.B.N. 91 096 301 058

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KEW EAST FINANCIAL SERVICES LTD

Scope

The financial report and directors' responsibilities

The financial report comprises the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cashflows, accompanying notes to the financial statements, and the directors' declaration for Kew East Financial Services Ltd for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore the audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Level 5, 150 Albert Road, Sth Melbourne Vic 3205 Australia.

Ph: (61 3) 9695 5500. Fax: (61 3) 9696 7259.

Principals - David Armstrong, F.C.A. M.B.A. (Melb), Daniel Dubois C.A

Armstrong Partners (Aust.) Pty Ltd. A.B.N. 32 088 038 831

Independent audit report continued

Armstrong Partners

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

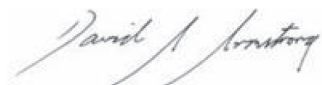
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit Opinion

In our opinion the financial report of Kew East Financial Services Ltd is in accordance with:

- the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Kew East Financial Services Ltd as at 30 June 2006, and of its performance for the year ended on that date; and
 - ii complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- other mandatory financial reporting requirements in Australia.

Armstrong Partners



David Armstrong
Principal

Additional Shareholder information

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 30th September 2006 which is within six weeks of this report being sent to Shareholders.

The following table shows the number of Shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of Shareholders
1 to 1,000	152
1,001 to 5,000	81
5,001 to 10,000	12
10,001 to 100,000	-
100,001 and over	-

Each of the above Shareholders is entitled to one vote, irrespective of the number of shares held.

There are no substantial Shareholders (holding more than 5% of voting rights) as each Shareholder is entitled to one vote. Normally holding more than 5% of total issued shares would create a substantial Shareholder, but this is not applicable due to voting restrictions for the Company.

There is one Shareholder holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary share fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the twenty largest Shareholders.

Shareholder	Number of shares	Percentage of capital
Fiona Margaret Cochrane	10,000	2
Bruce Diggles	10,000	2
Susan Diggles	10,000	2
P & M Gibbs Superannuation Fund	10,000	2
James Michael Hall	10,000	2
The Searle Executive Superannuation Fund	10,000	2
Avenal Super Fund No 3	10,000	2
Marjorie Irene White	10,000	2
Longbourne Pty Ltd	9,000	1.8
Michael Vincent Keating	7,500	1.6

Additional Shareholder information continued

Shareholder	Number of shares	Percentage of capital
Twenty largest Shareholders continued		
Kenneth George Franks	5,001	1
Geoffrey Bruce Thomas & Joan Erica Thomas	5,001	1
Susan Allen	5,000	1
Ian Atkinson & Laurel Atkinson	5,000	1
Ian Richard Buchan & Barbara Dianne Buchan	5,000	1
Kuen Hong Chan	5,000	1
Margaret Eileen Clements	5,000	1
Raymond Denis Clements	5,000	1
Christopher Kenneth Constable	5,000	1
William Kenneth Craven	5,000	1
DiPalmas Restaurants Australia Pty Ltd	5,000	1

Registered office and principal administrative office

The registered office of the Company is located at:

661A High St,
Kew East, VIC 3102
Phone 9859 6799

The principal administrative office of the Company is located at:

661A High St
Kew East, VIC 3102
Phone 9859 6799

Security register

The security register (share register) is kept at:

Fountain Court
Bendigo
Victoria 3550

Additional Shareholder information continued

Other information

Please refer to the Directors' report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

