

2007 annual report

Contents

Chairman's report	2-3
Manager's report	4
Directors' report	5-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-24
Directors' declaration	25
Independent audit report	26-27
BSX report	28-29

Chairman's report

For year ending 30 June 2007

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

Results

We have completed another year with solid profitability and a continued investment in the strength of our Company balance sheet. After satisfactory growth in our business, we have recorded a profit after tax of \$156,590 compared with \$124,629 in the previous year. This was achieved after distributing \$66,400 to the local community by way of grants and sponsorships.

A final dividend (fully franked) of 6 cents a share will bring total dividends for the year to 11 cents a share. This represents 34 per cent of our profit after tax.

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. We now have Marie Briggs, our Customer Service Officer, seated at the front of the branch. This is appreciated by our regular customers who stop by for a chat, and for newer customers who can be readily assisted with their enquiries.

Together with George and Marie, our committed team makes our branch a delight to bank at, 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 is invaluable, as is the special status it enjoys within the Australian financial services sector.

Going forward

As the strength of our Company grows, and profits increase, we continue to direct our efforts towards supporting as many community based projects within our municipality as possible.

Chairman's report continued

This year we distributed grants equal to 38 per cent of our after tax profits to community groups. We are identifying and developing relationships with groups in the community who we know will put these funds to good use.

Thank you for your loyalty and support. Your commitment to our ongoing growth will enable us to continue making a difference in our community.

A handwritten signature in black ink, appearing to read 'J McConnell', with a stylized, cursive script.

J McConnell
Chairman

Manager's report

For year ending 30 June 2007

We celebrated our fifth birthday on 2 December 2006 and it was pleasing to see both a great turn out of customers and the overwhelming support from our sponsor and grant recipients, who provided music and stalls for the day.

As we continue to grow, the local community is gaining a greater awareness of how our business supports their local community. With continued support from our shareholders and community here in Kew East, and in neighbouring suburbs, we continue to grow. This growth has been reflected in the funds we have issued back to the community by way of sponsorship and grants of \$95,000.

We have also paid dividends totalling \$38,600 during the financial year.

Due to the new legislative changes introduced early this year regarding superannuation, a large amount of deposits moved out from the branch into superannuation. This being said, we still finished the year quite strongly with a total growth figure of just over \$6.3million and 285 new customers.

I would like to take this opportunity to thank the shareholders, customers, staff and Directors, who have assisted in the branch's success.

We need to continue spreading the word to the local community that banking local has benefits - it will continue our ability to grow and further support the local community.

Please continue to play a part in the growth of our branch by spreading the word about your own personal experiences and professional banking services provided by your local Kew East **Community Bank®** Branch.



George Prodromidis
Branch Manager

Directors' report

For year ending 30 June 2007

The Directors present their report together with the financial statements of Kew East Financial Services Ltd ("the Company") for the year ended 30 June 2007 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
Robert Ball Company Secretary	Barrister & Solicitor	Runs own legal practice
Shane Pappas	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
Shona MacInnes appointed 2/4/07		Committee member of Kew Junior Football Club

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 \$80,090 (2006:\$11,049), amounted to \$156,590 (2006: \$124,629) for the year.

5. Dividends paid or declared

A final dividend for 2006 of three cents per share, totalling \$14,475, was paid on 15 November 2006. This dividend was unfranked.

An interim dividend for 2007 of five cents per share, totalling \$24,125, was paid on 15 April 2007. This dividend was fully franked.

A final dividend for 2007 of six cents per share, totalling \$28,950, is proposed to be paid. This dividend will be fully franked.

6. Review of Operations

The Company continued its banking operations for the year ended 30 June 2007. Business is still growing and profits are steadily increasing. The Company renewed its franchise agreement with Bendigo Bank Ltd for a further five years, and exercised its option to renew the lease on its premises, also for a further five years.

Grants of \$59,409 (2006: \$6,400) have been paid to or on behalf of local community groups.

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 of 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 \$10,250 (2006: \$9,900) during the year 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	12	8	1	1				
Sue Allen	12	11					1	1
Shane Pappas	12	10	6	6				
Robert Ball	12	12						
Rod Albury	12	10	6	6	2	2		
Allen Borella	12	8	6	3				
Ken Franks	12	12	6	6				
Geoff Thomas	12	12	6	6			1	1
Eric Thomas	12	9			2	2	1	1
Shona MacInnes	2	2						

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	Shona MacInnes	-

13. Remuneration

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

For the year ended 30 June 2007, the Company has paid or provided a salary, including bonus and superannuation, of \$106,273 (2006: \$106,139) 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 2007 represented 2.5% (2006: 6.4%) 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

14. Corporate governance (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 ten 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.

All Directors undergo training in the role of Director, and their legal and fiduciary responsibilities.

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.

Directors' report continued

14. Corporate governance (continued)

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.

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-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.

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 half 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 2007: \$Nil (2006: \$Nil).

16. Auditor's independence declaration

The lead Auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 12 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 half year.

Dated at Melbourne, Victoria on 17 September 2007.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'John McConnell', written in a cursive style.

John McConnell

Director

Auditor's independence declaration

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF KEW EAST FINANCIAL SERVICES LTD**

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporation Act 2001 in relation to the audit; and
- (ii) no contravention of any applicable code of professional conduct in relation to the audit.

Armstrong Partners



David A Armstrong
Partner
Chartered Accountant
Melbourne, 17 September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenue from ordinary activities	2(b)	821,893	669,197
Depreciation and impairment	2(a)	(55,680)	(35,307)
Employee costs		(294,212)	(318,861)
Other expenses from ordinary activities		(235,321)	(179,351)
Profit before income tax expense		236,680	135,678
Income tax expense	3	(80,090)	(11,049)
Net profit for the year		156,590	124,629
Earnings per share (cents)		32.5	25.8
Dividends per share (cents)	4	11.0	6.0

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash	6	386,778	284,657
Receivables	7	71,599	62,533
Total current assets		458,377	347,190
Non-current assets			
Property, plant and equipment	8	133,359	178,206
Other assets	9	60,810	19,643
Total non-current assets		194,169	197,849
Total assets		652,546	545,039
Current liabilities			
Accounts payable	10	57,702	80,935
Provisions	12	26,440	32,310
Total current liabilities		84,142	113,245
Non-current liabilities			
Other liabilities	11	13,250	-
Provisions	12	18,870	13,500
Total non-current liabilities		32,120	13,500
Total liabilities		116,262	126,745
Net assets		536,284	418,294
Equity			
Issued capital	13	482,510	482,510
Retained earnings (losses)	5	53,774	(64,216)
Total equity		536,284	418,294

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Ordinary shares \$	Retained earnings \$	Total \$
Balance at 1 July 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
Profit attributable to members of the Company	-	156,590	156,590
Dividends paid	-	(38,600)	(38,600)
Balance at 30 June 2007	482,510	53,774	536,284

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		874,958	712,999
Interest received		16,224	8,962
Payments to suppliers & employees		(641,052)	(519,022)
Community grants paid		(59,409)	(6,400)
Net cash provided by operating activities	15	190,721	196,539
Cash flows from investing activities			
Franchise renewal fee		(50,000)	-
Payment for property, plant & equipment		-	(24,700)
Net cash provided by (used in) investing activities		(50,000)	(24,700)
Cash flows from financing activities			
Dividends paid		(38,600)	(28,950)
Net cash provided by (used in) financing activities		(38,600)	(28,950)
Net increase in cash held		102,121	142,889
Cash at beginning of period		284,657	141,768
Cash at end of period	6	386,778	284,657

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

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.

Basis of preparation

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

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 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 is 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.

Notes to financial statements continued

Note 1 Statement of significant accounting policies (continued)

Property, plant and equipment (continued)

The depreciable amount of all fixed assets is depreciated 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 establishment fees were fully written down at 31st December 2006.

Franchise renewal fee is being amortised straight line over 5 years (term of renewal agreement). 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.

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 balance sheet are shown inclusive of GST.

Notes to financial statements continued

	2007 \$	2006 \$
Note 2. Profit from ordinary activities		
(a) Profit (loss) from ordinary activities before income tax has been determined after:		
Charging as expense:		
Movement in provisions:		
Employee provisions	(500)	16,684
Depreciation of plant & equipment	35,445	12,878
Depreciation of office furniture & equipment	4,485	1,343
Depreciation of fixtures & fittings	4,917	6,084
Impairment of franchise fee	10,833	15,000
Community grants	59,409	6,400
(b) Revenue from ordinary activities:		
Included in operating profit are the following items of operating revenue:		
Interest	16,720	9,176
Banking income	805,173	660,021

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%	71,002	40,703
Add tax effect of:		
Non-deductible items	7,050	6,420
Underprovision in prior year	2,038	
Less tax effect of:		
Recognition of prior tax losses	-	(36,074)
Income tax expense attributable to profit from ordinary activities	80,090	11,049

Notes to financial statements continued

	2007	2006
	\$	\$

Note 4. Dividends

Dividends paid or proposed on ordinary shares:

Interim dividend, fully franked, paid for 2007 (5 cents per share) (2006: 3 cents per share, unfranked)	24,125	14,475
Final dividend, fully franked, proposed but not recognized as a liability (6 cents per share) (2006: 3 cents per share)	28,950	14,475
Franking credit balance:		
The amount of franking credits available at the end of the financial year, at 30%	51,525	-

Note 5. Retained earnings

Retained profits (losses) at the start of the period	(64,216)	(159,895)
Net profit attributable to members of the Company	156,590	124,629
Dividends paid	(38,600)	(28,950)
	53,774	(64,216)

Note 6. Cash

Cash at bank – operating	386,678	284,557
Cash on hand	100	100
	386,778	284,657

Note 7. receivables

Current

Debtors	70,063	61,755
Prepayments	262	-
Accrued income	1,274	778
	71,599	62,533

Notes to financial statements continued

	2007 \$	2006 \$
Note 8. Property, plant and equipment		
Plant & equipment, at cost	136,201	136,201
Less: accumulated depreciation	(98,669)	(63,224)
	37,532	72,977
Office furniture & equipment, at cost	32,240	32,240
Less: accumulated depreciation	(14,723)	(10,238)
	17,517	22,002
Fixtures & fittings, at cost	103,989	103,989
Less: accumulated depreciation	(25,679)	(20,762)
	78,310	83,227
	133,359	178,206

Note 9. Other assets

Non-current

Deferred tax asset	16,643	14,643
Intangibles – Franchise establishment fees, at cost	50,000	50,000
Less: accumulated impairment	(50,000)	(45,000)
Franchise renewal fees, at cost	50,000	-
Less: accumulated impairment	(5,833)	-
	60,810	19,643

Note 10. Accounts payable

Current

Accrued creditors	23,173	37,389
Company tax payable	15,604	25,692
GST payable	18,925	17,854
	57,702	80,935

Notes to financial statements continued

	2007 \$	2006 \$
Note 11. Other liabilities		
Non-current		
Deferred tax liability	13,250	-
	13,250	-

Note 12. Provisions

Current		
Employee entitlements	26,440	32,310
Non-current		
Employee entitlements	18,870	13,500
	45,310	45,810

Note 13. Issued capital

482,510 fully paid ordinary shares	482,510	482,510
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Note 14. Auditors' remuneration

- for auditing or reviewing the financial report	6,000	5,880
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Note 15. Cash flow information

Reconciliation of cash flow from operations		
With profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	156,590	124,629
Depreciation and impairment	55,680	35,307
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	(8,308)	(12,582)
(Increase) decrease in other receivables	(2,758)	(14,209)
(Decrease) increase in trade creditors	(14,216)	46,170
(Decrease) increase in other creditors and provisions	3,733	16,684
Net cash inflow from operating activities	190,721	195,539

Notes to financial statements continued

Note 16. Related party transactions

An entity associated with Sue Allen has received payments of \$10,250 (2006: \$9,900) during the financial period for accounting services rendered on commercial terms and conditions.

No other Director has received a payment.

Note 17. Capital commitments

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

Note 18. Contingent liabilities

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

Note 19. 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 20. 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.

Note 21. Financial instruments

(a) Financial instruments

Derivative financial instruments:

The Company does not utilise derivative financial instruments

Unrecognised financial instruments

Forward exchange contracts

The Company does not utilise forward exchange contracts

Interest rate swaps

The Company does not utilise interest rate swap contracts

Notes to financial statements continued

Note 21. Financial instruments (continued)

(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 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
	\$	\$	\$	\$	\$	\$	%	%
Financial assets								
Cash assets	283,636	105,287	103,042	179,270	100	100	5.00	5.00
Receivables		-		-	71,599	62,533		
Total financial assets	283,636	105,287	103,042	179,270	71,699	62,633		
Financial liabilities								
Payables	-	-	-	-	57,702	80,935		
Total financial liabilities	-	-	-	-	57,702	80,935		

Directors' declaration

1. In the opinion of the Directors of Kew East Financial Services Ltd (the "Company"):
 - (a) the financial statements and notes, set out on pages 13 to 24 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2007 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date: and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations
 - (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.
2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Treasurer for the financial year ended 30 June 2007.

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



John McConnell
Director

Dated at Melbourne, Victoria on 17 September 2007.

Independent audit report

Armstrong Partners

CHARTERED ACCOUNTANTS

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

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

Scope

We have audited the financial report of Kew East Financial Services Ltd which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company 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 establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 the 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the company'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 purposes of expressing an opinion on the effectiveness of the company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Suite 21, Level 5, 150 Albert Road, South 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., Roderick McKenzie F.C.A.

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

Independent audit report continued

Armstrong Partners

Auditor's Opinion

In our opinion:

- a. 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 company's financial position as at 30th June 2007 and of its performance for the year ended on that date; and
 - ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Armstrong Partners



David Armstrong
Partner
Chartered Accountants
Melbourne, 17 September 2007

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 3 September 2007, 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	149
1,001 to 5,000	85
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
Kenneth George Franks	5,001	1

BSX report continued

Shareholder	Number of shares	Percentage of capital
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 Street
Kew East, VIC 3102
Phone (03) 9859 6799

The principal administrative office of the Company is located at:

661A High Street
Kew East, VIC 3102
Phone (03) 9859 6799

Security register

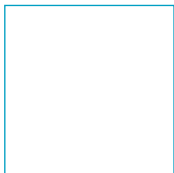
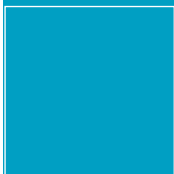
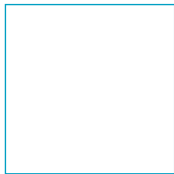
The security register (share register) is kept at:

Computershare Investor Services Pty Ltd
Yarra Falls,
452 Johnston Street
Abbotsford, VIC 3067

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.



Kew East **Community Bank**[®] Branch
661A High Street, Kew East, VIC 3102
Phone: (03) 9859 7699 Fax: (03) 9859 6944

Franchisee: Kew East Financial Services Limited
661A High Street, Kew East, VIC 3102
ABN 91 096 301 058

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7040) (09/07)