

**Kew East Financial Services Ltd  
A.B.N. 91 096 301 058**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2008**

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

## Directors' Report

The Directors present their report together with the financial statements of Kew East Financial Services Ltd ("the company") for the year ended 30 June 2008 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:

<b>Sue Allen</b>	Sue Allen, in office 5 yrs Chair, appointed 4/2/08 Dip Bus Studs (Acc); Dip Fin Planning; CPA (FPS); CA, CFP®; MAICD Runs own financial planning business	<b>Rod Albury</b>	Rod Albury, in office 4 yrs T.P.T.C; B Ed; Dip Art; F.R.M.I.T Retired, former school principal, member of Kew Community Festival Committee
<b>Allen Borella</b>	Allen Borella, in office 7 yrs Runs own automotive business	<b>Ken Franks</b>	Ken Franks, in office 7 yrs Land Surveyor Property investor, past chair of Harp Village Business Association
<b>Mark Heffernan</b>	Mark Heffernan, appointed 7/7/08 Treasurer, appointed 7/7/08 CPA Runs own financial services business Former credit union treasurer	<b>Brad Miles</b>	Brad Miles, appointed 1/9/08 B.Sc.(Hons); ME/ANZ Accountable officer of a statutory body, current and past office bearer of a number of local community organisations.
<b>Shona MacInnes</b>	Shona MacInnes, in office 1 yr Past President of Kew Junior Football Club	<b>John McConnell</b>	John McConnell, in office 5 yrs Chair of Audit & Risk committee, appointed 3/3/08 B.Com; Dip Banking; FAICD; FAIM; F Fin Former bank executive, Company Director

<b>Shane Pappas</b>	Shane Pappas, in office 5 yrs Company Secretary, appointed 2/6/08, Chair of Nominations committee, appointed 3/3/08 Chair of Remuneration committee, appointed 3/3/08 Dip Eng (Mech); Masters of Business (Management) Operations manager	<b>Eric Thomas</b>	Eric Thomas, in office 7 yrs Chair of Community Grants committee, appointed 18/7/05 FCA Chartered accountant
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Directors retiring during the year for whom no photo is available:

<b>Name and position held</b>	<b>Qualifications</b>	<b>Experience</b>
Robert Ball, in office 7 yrs, resigned 2/6/08 Company Secretary, resigned 2/6/08	Barrister & Solicitor	Runs own legal practice
Geoff Thomas, in office 3 yrs, retired 13/11/07		Funds management

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

## 2. Company Secretary

The company secretary is Shane Pappas.

## 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 \$95,406 (2007:\$80,090), amounted to \$222,616 (2007: \$156,590) for the year.

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**Directors' Report (cont.)**

**5. Dividends paid or declared**

A final dividend for 2007 of six cents per share, totalling \$28,951, was paid on 30<sup>th</sup> November 2007. This dividend was fully franked.

An interim dividend for 2008 of six cents per share, totalling \$28,951 was paid on 30<sup>th</sup> April 2008. This dividend was fully franked.

A final dividend for 2008 of eight cents per share, totalling \$38,600, plus a special dividend of two cents per share, totalling \$9,650 are proposed to be paid. These dividends will be fully franked.

**6. Review of Operations**

The company continued its banking operations for the year ended 30 June 2008. Business is still growing and profits are steadily increasing.

Grants of \$50,000 (2007: \$59,409) 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.

**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 \$4,400 (2007: \$10,250) during the year for accounting services rendered on commercial terms and conditions.

No other director has received a payment.

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## **Directors' Report (cont.)**

### **11. Directors Meetings**

Number of meetings held and attended during the financial year:

	<b>Board</b>		<b>Committees</b>							
	Eligible to attend	Attended	<b>Audit &amp; Risk</b>		<b>Community Grants</b>		<b>Nominations</b>		<b>Remuneration</b>	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John McConnell	11	8	1	1			2	2		
Sue Allen	11	9	1	1	1	1				
Shane Pappas	11	9					2	2	2	2
Robert Ball	11	10								
Rod Albury	11	10			4	4				
Allen Borella	11	8							2	2
Ken Franks	11	10								
Geoff Thomas	5	5								
Eric Thomas	11	11	1	0	4	4				
Shona MacInnes	11	8								
Mark Heffernan	0	0	0	0						
Brad Miles	0	0			4	4				

Note that Mark Heffernan and Brad Miles were appointed as directors after the end of the financial year, and were not eligible to attend Board meetings during the financial year. Brad Miles was our community member of the Community Grants Committee. The four meetings he attended were in that capacity.

### **12. Directors' shareholdings**

Shares in the company owned by directors or associated entities are:

<b>Name</b>	<b>Shares held</b>	<b>Name</b>	<b>Shares held</b>
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	-
Mark Heffernan	-	Brad Miles	500

### **13 Corporate Governance**

The following corporate governance principles have been determined by the Australian Stock Exchange as being minimum standards for public companies to adhere to. Under each principle are set out the means by which the company is promoting compliance within the Board and the organisation with these principles.

#### **Principle 1 – lay solid foundations for management and oversight**

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 rules and responsibilities of both the Board and management.

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**Directors' Report (cont.)**

**13 Corporate Governance (cont.)**

**Principle 1 – lay solid foundations for management and oversight (cont.)**

Matters reserved for the Board include provision of strategic leadership for the company, appointment, assessment and remuneration of the branch manager (CEO), establishment of sub-committees and working groups to balance the workload of the Board, regular assessment of Board performance, recruitment of new directors, provision of financial oversight of the company, including setting annual budgets and CEO Key Performance Indicators (KPI's), and approving annual and half-yearly accounts.

Matters delegated to the CEO include recruitment, appointment, training and assessment of staff, including setting annual KPI's and conducting six-monthly performance reviews, marketing the company's services to prospective customers and community groups, being pro-actively engaged with sponsored groups and the day-to-day running of the branch. This includes overseeing the achievement of budget targets for business growth and ensuring expenditures remain within budget.

During the reporting period, two performance evaluations of the CEO's activities were undertaken. A half-yearly review based on Bendigo Bank criteria, and a full year review based on a combination of Bendigo Bank criteria and company KPI's formed the basis of determining the annual bonus achieved by the CEO.

**Principle 2 – structure the Board to add value**

The Board is composed of ten individuals who each have experience in running small businesses or as managers in large corporations. The specific skills and qualifications of each director are set out under Item 1 of this Directors' Report.

All directors are independent, including the chairman. No director is a substantial shareholder of the company, no director has been employed by the company, and no director or entity with which a director is associated has a material contract with the company. While the CEO attends meetings, he does not have a vote in Board decision-making.

Directors 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.

The Board conducts written annual performance reviews using publicly available material. These reviews are collated to highlight any systemic weaknesses in the procedures of the Board, in which case, suitable corrective action is taken.

The Board has four standing sub-committees.

The Audit & Risk Committee has been established to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal controls, risk management processes and external audit functions. It consists of four directors, each of whom has either accounting or risk assessment experience. The names of those directors and their attendance at meetings is set out under Item 11 of this report.

The Community Grants Committee has been established to assist the Board in fulfilling its obligations to share the company profits with community groups. These obligations arise under the Franchise Agreement with Bendigo Bank Ltd, which governs the operations of the company as a branch of Bendigo Bank Ltd. The committee consists of two directors, whose names and attendance at meetings are set out under Item 11 of this report, and one member of the local community. (At the date of this report, the local community member has been appointed as a director of the company).

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## **Directors' Report (cont.)**

### **13 Corporate Governance (cont.)**

#### **Principle 2 – structure the Board to add value (cont.)**

The Nominations Committee has been established to regularly review the skill set of the Board, make recommendations regarding skills considered to be necessary for the Board to efficiently fulfil its various obligations, to source new directors and to review candidates for directorship which have been proposed by Board members or the CEO. It consists of two directors, whose names and attendance at meetings are set out under Item 11 of this report.

The Remunerations Committee has been established to conduct the annual review of the CEO's salary package, propose the CEO's KPI's and bonus structure for the coming year in accordance with budget targets, and oversee staff reviews conducted by the CEO. It consists of two directors, whose names and attendance at meetings are set out under Item 11 of this report.

#### **Principle 3 - promote ethical and responsible decision-making**

The Board has a Code of Conduct and Share Trading policy.

The Code of Conduct requires directors to act honestly and in good faith at all times, to declare any interests which may result in a conflict of duties, to be diligent in attending Board meetings and in setting aside sufficient time to be conversant with matters which will require decisions during the meeting, to actively avoid any deception or unscrupulous behaviour in the performance of their duties, to maintain confidentiality of Board matters at all times, to recognise and act in accordance with the fiduciary nature of their duties, to abide by Board decisions once they are made and to avoid any behaviour which may denigrate or harm the image of the company, the community bank network or Bendigo Bank.

The Share Trading policy restricts directors or their associates from dealing in company shares except for a period of one month following the announcement to the Bendigo Stock Exchange of annual or half-yearly profit, and one month following the Annual General Meeting (AGM).

#### **Principle 4 – safeguard integrity in financial reporting**

The Board has established an Audit & Risk Committee with the mandate to oversee the company's financial reporting and external audit functions, and to recommend the appointment, or removal, of the company's auditor. The committee consists of four directors, all of whom are independent and each of whom has either accounting or risk assessment experience. The members of this committee, their qualifications and their attendance at meetings have been set out under Items 1 and 11 of this report.

#### **Principle 5 – make timely and balanced disclosure**

The company is listed on the Bendigo Stock Exchange (BSX), and complies with the disclosure requirements of that body. Matters announced to BSX include annual and half-yearly results, financial statements and annual reports, appointments, resignations and retirements of directors and officers, forthcoming dividends, and notices and results of AGM's. It is the responsibility of the company secretary to ensure that the required announcements are made within the required timeframes.

**KEW EAST FINANCIAL SERVICES LTD**  
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**Directors' Report (cont.)**

**13 Corporate Governance (cont)**

**Principle 6 – respect the rights of shareholders**

The company recognises that shareholders have the right to receive information about the company in a manner which is suitable for them. As well as providing financial and Board information to the BSX, the company ensures it posts relevant information to shareholders regularly. This information includes annual reports, notice of AGM, proxy forms and information for voting at the AGM, annual and half-yearly profit results and dividend notifications (amount, books closing and payment dates), newsletters setting out company activities within the community, and any other information which a shareholder would be deemed to reasonably require.

**Principle 7 – recognise and manage risk**

The Board has established an Audit & Risk Committee with the mandate to ensure that the Company maintains quality internal and external reporting processes both financial and non-financial, to identify and mitigate areas of potential risk, to oversee compliance with applicable laws and regulations and company standards and policies, including the Risk Management Policy, and to monitor Bendigo Bank's periodic reviews of Branch operational and lending practices. The members of this committee, their qualifications and their attendance at meetings have been set out under Items 1 and 11 of this report.

**Principle 8 – remuneration report**

The Board has established a Remuneration Committee to assist it to effectively carry out this function, with the mandate to conduct an annual review of the CEO's salary package, propose the CEO's KPI's and bonus structure for the coming year in accordance with budget targets, and oversee staff reviews conducted by the CEO. It consists of two directors, whose names and attendance at meetings are set out under Item 11 of this report.

For the year ended 30 June 2008, the company has paid or provided a salary to its CEO, including bonus and superannuation, of \$117,109 (2007: \$106,273)

The 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 performance 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.

During determination of the CEO's KPI and bonus for the year ended 30 June 2008, the decision was taken to significantly increase the proportion of the total salary package which would be paid according to performance outcomes. Hence the bonus for the year ended 30 June 2008 represented 12.2% (2007: 2.5%) of salary.

Staff employed in the branch are paid under an Employment Agreement which runs for three years and reflects pay and conditions negotiated between Bendigo Bank Ltd and its staff.

The company does not pay remuneration to directors for their activities as directors.



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**Directors' Report (cont.)**

**14. 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 Audit & Risk 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 2008: \$Nil (2007: \$Nil).

**15. Auditors Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 10 of this financial report.


**16. 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 25 September, 2008.

Signed in accordance with a resolution of the Directors:

  
.....  
Sue Allen  
Director

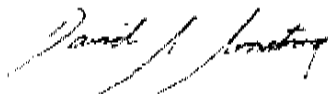
**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF KEW EAST FINANCIAL SERVICES LTD**

**Auditors Independence Declaration**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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**

Melbourne  
25 September 2008

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

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
(The accompanying notes form part of these financial statements)

	<b>Note</b>	<b>June 2008</b> <b>\$</b>	<b>June 2007</b> <b>\$</b>
Revenue from ordinary activities	2(b)	973,690	821,893
Depreciation and impairment	2(a)	(44,289)	(55,680)
Employee costs		(337,623)	(294,212)
Community Grants		(50,000)	(59,409)
Other expenses from ordinary activities		(223,756)	(175,912)
<b>Profit before income tax expense</b>		<b>318,022</b>	<b>236,680</b>
Income tax expense	3	(95,406)	(80,090)
<b>Net profit for the year</b>		<b>222,616</b>	<b>156,590</b>
Earnings per share (cents)		46.1	32.5
Dividends per share (cents)	4	12.0	11.0

**KEW EAST FINANCIAL SERVICES LTD**  
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**BALANCE SHEET**

AS AT 30 JUNE 2008

(The accompanying notes form part of these financial statements)

	Note	June 2008 \$	June 2007 \$
<b>Current Assets</b>			
Cash	6	604,522	386,778
Receivables	7	100,123	71,599
Investments	8	10,900	-
<b>Total Current Assets</b>		<b>715,545</b>	<b>458,377</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	110,921	133,359
Other assets	10	54,619	60,810
<b>Total Non-Current Assets</b>		<b>165,540</b>	<b>194,169</b>
<b>TOTAL ASSETS</b>		<b>881,085</b>	<b>652,546</b>
<b>Current Liabilities</b>			
Accounts payable	11	115,453	57,702
Provisions	13	31,671	26,440
<b>Total Current Liabilities</b>		<b>147,124</b>	<b>84,142</b>
<b>Non-Current Liabilities</b>			
Other Liabilities	12	10,250	13,250
Provisions	13	22,713	18,870
<b>Total Non-Current Liabilities</b>		<b>32,963</b>	<b>32,120</b>
<b>TOTAL LIABILITIES</b>		<b>180,087</b>	<b>116,262</b>
<b>NET ASSETS</b>		<b>700,998</b>	<b>536,284</b>
<b>EQUITY</b>			
Issued capital	14	482,510	482,510
Retained earnings (losses)	5	218,488	53,774
<b>TOTAL EQUITY</b>		<b>700,998</b>	<b>536,284</b>

**KEW EAST FINANCIAL SERVICES LTD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
 (The accompanying notes form part of these financial statements)

	<b>Ordinary Shares \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2006</b>	<b>482,510</b>	<b>(64,216)</b>	<b>418,294</b>
Profit attributable to members of the company	-	156,590	156,590
Dividends paid	-	(38,600)	(38,600)
<b>Balance at 30 June 2007</b>	<b>482,510</b>	<b>53,774</b>	<b>536,284</b>
Profit attributable to members of the company	-	222,616	222,616
Dividends paid	-	(57,902)	(57,902)
<b>Balance at 30 June 2008</b>	<b>482,510</b>	<b>218,488</b>	<b>700,998</b>

**KEW EAST FINANCIAL SERVICES LTD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 June 2008**  
 (The accompanying notes form part of these financial statements)

	Note	June 2008 \$	June 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,017,809	874,958
Interest received		21,588	16,224
Payments to suppliers & employees		(691,001)	(641,052)
Community Grants paid		(50,000)	(59,409)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>298,396</b>	<b>190,721</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Franchise renewal fee			(50,000)
Managed fund investment	<b>8</b>	(15,000)	-
Payment for property, plant & equipment		(7,750)	-
<b>Net cash provided by (used in) investing activities</b>		<b>(22,750)</b>	<b>(50,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	<b>4</b>	(57,902)	(38,600)
<b>Net cash provided by (used in) financing activities</b>		<b>(57,902)</b>	<b>(38,600)</b>
<b>Net increase in cash held</b>		<b>217,744</b>	<b>102,121</b>
Cash at beginning of period		386,778	284,657
<b>Cash at end of period</b>	<b>6</b>	<b>604,522</b>	<b>386,778</b>

**KEW EAST FINANCIAL SERVICES LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

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**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, 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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2007**

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**Intangibles**

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.

**Investment**

The investment is carried at market value, where this below cost. Impairment is recognised as an expense.

**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.



**KEW EAST FINANCIAL SERVICES LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

	June 2008	June 2007
	\$	\$

**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	9,074	(500)
Depreciation of plant & equipment	20,422	35,445
Depreciation of office furniture & equipment	3,274	4,485
Depreciation of fixtures & fittings	6,493	4,917
Impairment of franchise fee	10,000	10,833
Impairment of investment	4,100	-
Community Grants	50,000	59,409

**(b) Revenue from ordinary activities:**

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

Interest	27,897	16,720
Banking Income	945,793	805,173

**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%	95,406	71,002
Add tax effect of:		
Non-deductible items	-	7,050
Underprovision in prior year	-	2,038
<b>Income tax expense attributable to profit from ordinary activities</b>	<b>95,406</b>	<b>80,090</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

	June 2008	June 2007
	\$	\$
<b>NOTE 4 DIVIDENDS</b>		
Dividends paid or proposed on ordinary shares:		
Interim dividend, fully franked, paid for 2008 (6 cents per share) (2007: 5 cents per share)	28,951	24,125
Final dividend, fully franked, proposed but not recognised as a liability (8 cents per share) (2007: 6 cents per share)	38,600	28,950
Special dividend, fully franked, proposed but not recognised as a liability (2 cents per share) (2007: nil)	9,650	-
Franking credit balance:		
The amount of franking credits available at the end of the financial year, at 30%	123,866	51,525

**NOTE 5 RETAINED EARNINGS**

Retained profits (losses) at the start of the period	53,774	(64,216)
Net profit attributable to members of the company	222,616	156,590
Dividends paid	(57,902)	(38,600)
	<b>218,488</b>	<b>53,774</b>

**NOTE 6 CASH**

Cash at bank – operating	604,422	386,678
Cash on hand	100	100
	<b>604,522</b>	<b>386,778</b>

**NOTE 7 RECEIVABLES**

**CURRENT**

Debtors	92,368	70,063
Prepayments	175	262
Accrued income	7,580	1,274
	<b>100,123</b>	<b>71,599</b>

**NOTE 8 INVESTMENTS**

Units in managed funds, at cost	15,000	-
Less impairment in value	(4,100)	-
	<b>10,900</b>	-

**KEW EAST FINANCIAL SERVICES LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

	June 2008	June 2007
	\$	\$
<b>NOTE 9 <u>PROPERTY, PLANT AND EQUIPMENT</u></b>		
Plant & equipment, at cost	136,201	136,201
Less: accumulated depreciation	(119,090)	(98,669)
	<b>17,111</b>	<b>37,532</b>
Office furniture & equipment, at cost	32,240	32,240
Less: accumulated depreciation	(17,997)	(14,723)
	<b>14,243</b>	<b>17,517</b>
Fixtures & fittings, at cost	111,739	103,989
Less: accumulated depreciation	(32,172)	(25,679)
	<b>79,567</b>	<b>78,310</b>
	<b>110,921</b>	<b>133,359</b>
<b>NOTE 10 <u>OTHER ASSETS</u></b>		
<b>NON-CURRENT</b>		
Deferred tax asset	20,452	16,643
Intangibles – Franchise renewal fees, at cost	50,000	50,000
Less: accumulated impairment	(15,833)	(5,833)
	<b>54,619</b>	<b>60,810</b>
<b>NOTE 11 <u>ACCOUNTS PAYABLE</u></b>		
<b>CURRENT</b>		
Accrued creditors	62,413	23,173
Company tax payable	37,728	15,604
GST payable	15,312	18,925
	<b>115,453</b>	<b>57,702</b>
<b>NOTE 12 <u>OTHER LIABILITIES</u></b>		
<b>NON-CURRENT</b>		
Deferred tax liability	10,250	13,250
	<b>10,250</b>	<b>13,250</b>
<b>NOTE 13 <u>PROVISIONS</u></b>		
<b>CURRENT</b>		
Employee entitlements	31,671	26,440
<b>NON-CURRENT</b>		
Employee entitlements	22,713	18,870
	<b>54,384</b>	<b>45,310</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

	June 2008	June 2007
<b>NOTE 14 ISSUED CAPITAL</b>		
482,510 fully paid ordinary shares	482,510	482,510
<b>NOTE 15 AUDITORS' REMUNERATION</b>		
- for auditing or reviewing the financial report	5,940	6,000
<b>NOTE 16 CASH FLOW INFORMATION</b>		
<b>Reconciliation of Cash Flow from Operations</b>		
<b>With Profit from Ordinary activities after Income Tax</b>		
Profit from ordinary activities after income tax	222,616	156,590
Depreciation and impairment	44,288	55,680
<b>Change in operating assets and liabilities:</b>		
(Increase) decrease in trade debtors	(22,305)	(8,308)
(Increase) decrease in other receivables	(11,308)	(2,758)
(Decrease) increase in trade creditors	39,240	(14,216)
(Decrease) increase in other creditors and provisions	25,865	3,733
<b>Net cash inflow from operating activities</b>	<b>298,396</b>	<b>190,721</b>

**NOTE 17 RELATED PARTY TRANSACTIONS**

An entity associated with Sue Allen has received payments of \$4,400 (2007: \$10,250) during the financial period for accounting services rendered on commercial terms and conditions.

No other director has received a payment.

**NOTE 18 LEASE COMMITMENTS**

The company has renewed an operating lease in respect of its business premises, with options to renew for two further terms. The terms are five years each. The next renewal date is 1/12/2011. Rent is currently \$38,900 plus GST. CPI increases are applied in December each year.

**NOTE 19 CAPITAL COMMITMENTS**

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

**NOTE 20 CONTINGENT LIABILITIES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

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**NOTE 21 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.

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**NOTE 22 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.

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**NOTE 23 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

**(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.

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

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 23 FINANCIAL INSTRUMENTS (Cont)**

**(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 2008 \$	June 2007 \$	June 2008 \$	June 2007 \$	June 2008 \$	June 2007 \$	June 2008 %	June 2007 %
<b>Financial Assets</b>								
Cash assets	494,673	283,636	109,749	103,042	100	100	6.00	5.00
Receivables	-	-	-	-	100,123	71,599		
<b>Total Financial Assets</b>	<b>494,673</b>	<b>283,636</b>	<b>109,749</b>	<b>103,042</b>	<b>100,223</b>	<b>71,699</b>		
<b>Financial Liabilities</b>								
Payables	-	-	-	-	116,733	57,702		
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,733</b>	<b>57,702</b>		

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

**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 11 to 22 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 2008 and of its performance 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 2008.

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

Director

  
.....  
Sue Allen

Dated at Melbourne, Victoria on 25 September, 2008

# 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**

### **Report on the financial report and the AASB124 remuneration disclosure contained in the directors' report**

We have audited the accompanying financial report of Kew East Financial Services Ltd (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" in page 9 of the directors' report and not in the financial report

### **Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' 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, the financial report complies with all Australian equivalents to International Reporting Standards (AIFRS) in their entirety.

The directors of the company are also responsible for the remuneration disclosures in the directors' report.

### **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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



**Armstrong Partners****Independence**

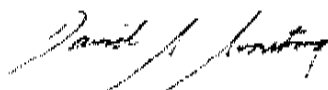
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**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 30 June 2008 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; and
- c. the remuneration disclosures that are contained in page 9 of the directors' report comply with Section 300A of the Corporations Act 2001.

**Armstrong Partners**



**David Armstrong**  
Partner

Melbourne  
25 September 2008

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

**ADDITIONAL ANNUAL REPORT INFORMATION**

**Share Information**

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 3 September 2008, 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 shares 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
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

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

**ADDITIONAL ANNUAL REPORT INFORMATION**

**Registered Office and Principal Administrative Office**

The registered office of the company is located at:

661A High St  
Kew East  
Victoria 3102

Phone 9859 6799

The principal administrative office of the company is located at:

661A High St  
Kew East  
Victoria 3102

Phone 9859 6799

**Security Register**

The security register (share register) is kept at:

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

**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.