

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

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2009



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

FINANCIAL REPORT FOR THE
HALF YEAR ENDED 31 DECEMBER 2009

Title	Page
Directors' Report	3
Auditor's Declaration of Independence	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	16
Independent Audit Report	17

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 half year ended 31 December 2009 and the auditors' review report thereon.

Directors

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

Sue Joan Allen	Chair	retired 30.11.09
John Roland McConnell		until 30.11.09*
Shane Pappas		until 30.11.09*
Eric Arthur Thomas		
John Roderick Albury	Chair from 03/12/09	
Allen William Borella		
Kenneth George Franks		
Mark Aloysius Heffernan		
Brad Miles		resigned 30.11.09
Katrina Joanne Tassiopoulos	appointed 16/06/09	until 30.11.09*

* Directors not re-elected at the 2009 Annual General Meeting

Company Secretary

The company secretary was Leon Caulfield until 22/12/09 when director, Ken Franks was appointed.

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.

Results

The profit of the company, after providing for income tax of \$67,987 (2008: \$61,136), amounted to \$159,746 (2008: \$142,649) for the half year.

Dividends paid or declared

A final dividend for 2009 of eight cents per share, totalling \$38,600, was paid on 30th November, 2009. This dividend was fully franked.

An interim dividend for 2010 of six cents per share, totalling \$28,950, is proposed for payment on Friday, 30th April, 2010. This dividend will be fully franked.

Review of Operations

The company continued its banking operations for the half year ended 31 December 2009 with the business book loan now passing the \$135 million mark.

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

Related party transactions

Mark A Heffernan, a current director of the company is a principal of Heffernan Crawford Partners Pty Ltd, Certified Practising Accountants, who was engaged by the company to provide company secretarial services to the value of \$21,044 for the half year ended 31st December 2009. (2008 Nil)

Matters subsequent to the end of the reporting period

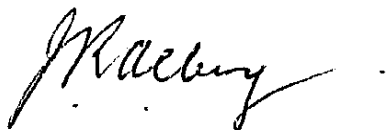
There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those or the state of affairs of the company.

Auditors Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2009 has been received and can be found on page 5 of this financial report.

Dated at Melbourne, Victoria on 11th March 2010

Signed in accordance with a resolution of the Directors:



John Roderick Albury
Director

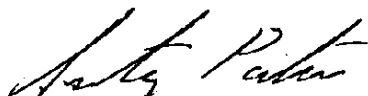
Armstrong Partners

CHARTERED ACCOUNTANTS

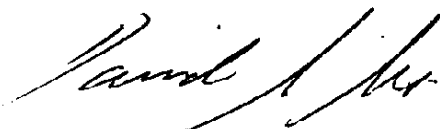
AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the review of Kew East Financial Services Ltd for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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



Armstrong Partners



**David Armstrong
Partner**

Melbourne
11 March 2010

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Dec 2009 \$	Dec 2008 \$
Revenue from ordinary activities	2	577,262	527,764
Depreciation and impairment	3	(15,131)	(19,233)
Employee costs		(171,178)	(178,156)
Other expenses from ordinary activities		(163,221)	(126,590)
Profit before income tax expense		227,733	203,785
Income tax expense	4	(67,987)	(61,136)
Total comprehensive income for the period		159,746	142,649
Total comprehensive income attributable to Members of the company		159,746	142,649
Earnings per share (cents)		33.11	29.56

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

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	Dec 2009 \$	June 2009 \$
<u>Current Assets</u>			
Cash	6	728,043	610,322
Receivables	7	117,249	93,940
Investments	8	12,378	10,073
Total Current Assets		857,670	714,335
<u>Non-Current Assets</u>			
Property, plant and equipment	9	80,312	90,443
Other assets	10	42,949	50,318
Total Non-Current Assets		123,261	140,761
TOTAL ASSETS		980,931	855,096
<u>Current Liabilities</u>			
Accounts payable	11	58,021	45,680
Provisions	13	61,406	70,888
Total Current Liabilities		119,427	116,568
<u>Non-current Liabilities</u>			
Other liabilities	12	5,750	7,250
Provisions	13	6,299	2,969
Total Non-Current Liabilities		12,049	10,219
TOTAL LIABILITIES		131,476	126,787
NET ASSETS		849,455	728,309
<u>EQUITY</u>			
Issued capital	14	482,510	482,510
Retained earnings		366,945	245,799
TOTAL EQUITY		849,455	728,309

The accompanying notes form part of these financial statements

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

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2008	482,510	218,488	700,998
Comprehensive income attributable to members of the company	-	104,512	104,512
Dividends paid	-	(77,201)	(77,201)
Balance at 30 June 2009	482,510	245,799	728,309
Comprehensive income attributable to members of the company	-	159,746	159,746
Dividends paid	-	(38,600)	(38,600)
Balance at 31 December 2009	482,510	366,945	849,455

The accompanying notes form part of these financial statements

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

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Dec 2009 \$	Dec 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		550,617	514,761
Interest received		8,262	16,773
Cash distribution received		237	370
Payments to suppliers & employees		(402,558)	(373,358)
Community Grants paid		-	-
Net cash provided by operating activities	16	156,558	158,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in managed fund	8	(237)	(370)
Payment for property, plant & equipment		-	(4,320)
Net cash provided by (used in) investing activities		(237)	(4,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	5	(38,600)	(48,250)
Net cash provided by (used in) financing activities		(38,600)	(48,250)
Net increase in cash held		117,721	105,606
Cash at beginning of period		610,322	604,522
Cash at end of period	6	728,043	710,128

The accompanying notes form part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements cover Kew East Financial Services Limited, a public Company, listed on the Bendigo Stock Exchange and incorporated and domiciled in Australia.

The financial statements of the company comply 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 statements have been prepared on an accruals basis and are 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 comprehensive income 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 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 straight line 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

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

Office Furniture & Equipment
Fixtures & Fittings

10% pa
5% pa

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Intangibles

The franchise renewal fee is being amortised straight line at 20% pa so that it is fully written down at the expiration of the current franchise agreement, and before payment of any further renewal fee. An impairment test has been conducted with no further write down in the value of the franchise asset necessary.

Investment

The investment is carried at market value, where this is below cost.

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.

Comparative

In accordance with AASB 134: Interim Financial Reporting comparatives for the Statement of Financial Position items are based on 30 June 2009. Comparative for the Statement of Comprehensive Income and the Statement of Cash Flows are based on the six months ended 31 December 2008.

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Dec 2009	Dec 2008
	\$	\$
NOTE 2 <u>REVENUE FROM ORDINARY ACTIVITIES</u>		
Banking income	561,932	505,441
Interest	13,026	21,953
Other investment income	2,304	370
	577,262	527,764

NOTE 3 EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation of plant & equipment	4,974	7,804
Depreciation of office furniture & equipment	1,861	1,861
Depreciation of fixtures & fittings	3,296	3,296
Impairment of franchise fee	5,000	5,000
Impairment of Investment	-	1,272

NOTE 4 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%	68,320	61,136
Overprovision in prior year	(333)	-
Income tax expense attributable to profit from ordinary activities	67,987	61,136

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Dec 2009 \$	Dec 2008 \$
NOTE 5 DIVIDENDS		
Dividends paid		
Final dividend, fully franked, paid for 2009, 8 cents per share (2008: 8 cents plus 2 cents special dividend per share)	38,600	48,250
Dividends Declared		
The following dividend was declared by the directors after 31 December 2009. The dividend has not been provided for in these accounts.		
Interim dividend, fully franked, proposed for 2010 (6 cents per share) (2009: 6 cents per share)	28,951	28,951
Franking credit balance, at 30%	220,395	159,307
NOTE 6 CASH		
Cash at bank – operating	727,943	610,222
Cash on hand	100	100
	728,043	610,322
NOTE 7 RECEIVABLES		
CURRENT		
Debtors	103,660	88,346
Prepayments	4,205	-
Accrued income	9,384	5,594
	117,249	93,940
NOTE 8 INVESTMENTS		
Units in managed funds, at cost	15,000	15,000
Less impairment in value	(2,622)	(4,927)
	12,378	10,073

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Dec 2009 \$	June 2009 \$
NOTE 9 <u>PROPERTY, PLANT AND EQUIPMENT</u>		
Plant & equipment, at cost	139,720	139,720
Less: accumulated depreciation	(136,745)	(134,747)
	2,975	4,973
Office furniture & equipment, at cost	34,214	34,214
Less: accumulated depreciation	(23,580)	(21,719)
	10,634	12,495
Fixtures & fittings, at cost	111,739	111,739
Less: accumulated depreciation	(45,036)	(38,765)
	66,703	72,975
	80,312	90,443
NOTE 10 <u>OTHER ASSETS</u>		
NON-CURRENT		
Deferred tax asset	23,782	26,151
Intangibles – Franchise renewal fees, at cost	50,000	50,000
Less: accumulated impairment	(30,833)	(25,833)
	42,949	50,318
NOTE 11 <u>ACCOUNTS PAYABLE</u>		
CURRENT		
Accrued creditors	43,301	69,492
Company tax payable	12,375	(24,669)
GST payable	2,345	857
	58,021	45,680
NOTE 12 <u>OTHER LIABILITIES</u>		
NON-CURRENT		
Deferred tax liability	5,750	7,250
	5,750	7,250
NOTE 13 <u>PROVISIONS</u>		
CURRENT		
Employee entitlements	61,406	70,888
NON-CURRENT		
Employee entitlements	6,299	2,969
	67,705	73,857

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

NOTES TO THE FINANCIAL STATEMENTS - FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Dec 2009	June 2009
	\$	\$
NOTE 14 <u>ISSUED CAPITAL</u>		
482,510 fully paid ordinary shares	482,510	482,510
NOTE 15 <u>AUDITORS' REMUNERATION</u>		
- for auditing or reviewing the financial report	3,200	3,000
NOTE 16 <u>CASH FLOW INFORMATION</u>		
Reconciliation of Cash Flow from Operations		
With Profit from Ordinary activities after Income Tax		
Profit from ordinary activities after income tax	159,746	142,649
Depreciation and impairment	15,131	17,961
(Increase) decrease in market value of investment	(2,067)	1,272
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	(15,314)	11,110
(Increase) decrease in other receivables	(5,626)	(18,377)
(Decrease) increase in trade creditors	(26,191)	(22,435)
(Decrease) increase in other creditors and provisions	30,879	26,366
Net cash inflow from operating activities	156,558	158,546

NOTE 17 RELATED PARTY TRANSACTIONS

Mark A Heffernan, a current director of the company is a principal of Heffernan Crawford Partners Pty Ltd, Certified Practising Accountants, who was engaged by KEFS Ltd to provide company secretarial services to the value of \$21,044 for the half year ended 31 December 2009 (2008: \$Nil)

NOTE 18 CAPITAL COMMITMENTS

There are no known capital commitments for the company.

NOTE 19 CONTINGENT LIABILITIES

There are no known contingent liabilities for the company

NOTE 20 SEGMENT REPORTING

The company 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 21 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 half year.

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

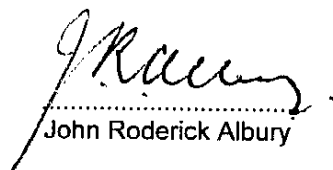
Directors Declaration

In the opinion of the directors of Kew East Financial Services Ltd (the company):

1. *The financial statements and notes are in accordance with the Corporations Act 2001, including:*
 - (a) giving a true and fair view of the financial position of the company as at 31 December 2009 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. The Chief Executive Officer and Chief Financial Officer each declare that:
 - (a) the financial records of the Company for the half year have been properly maintained in accordance with Section 286 of the Corporations Act 2001; and
 - (b) the financial statements and notes for the half year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the half 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

Director


John Roderick Albury

Dated at Melbourne, Victoria on 11th March 2010

Armstrong Partners

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO MEMBERS OF KEW EAST FINANCIAL SERVICES LTD A.B.N. 91 096 301 058

Report on the half-year financial report

We have reviewed the accompanying half-year financial statements of Kew East Financial Services Ltd which comprises the Statement of Financial Position as at 31 December 2009, and Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and the fair presentation of the half-year financial report in accordance with the *Corporations Act 2001* and *Australian Accounting Standards (including the Accounting Standards Interpretations)*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial statements is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Kew East Financial Services Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial statements.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Armstrong Partners

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

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

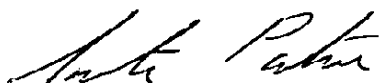
Independence

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

Conclusion

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

- (i) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.



Armstrong Partners



**David Armstrong
Partner**

Melbourne

11 March 2010