

Kew East Financial Services Limited

as at

30 June 2010

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

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

Directors

The names and details of the Company's directors who held office during or since the end of the financial year are:

Name and position held	Qualifications	Experience
Sue Allen Appointed 13 October 2003 Chair until 30 November 2009 Retired 30 November 2009	Dip Bus Studs (Acc); Dip Fin Planning; CPA (FPS); CA, CFP®; MAICD	Runs own financial planning business
John McConnell Appointed 10 November 2003 Chair of Audit and Risk Committee until 30 November 2009	B.Com; Dip Banking; FAICD; FAIM; F Fin	Former bank executive, Company Director
Shane Pappas Appointed 10 November 2003 Chair of Nominations and Remuneration Committee until 30 November 2009	Dip Eng (Mech); Masters of Business (Management)	Operations Manager
Eric Thomas Appointed 17 September 2003 Chair of Community Grants and Audit and Risk Committee from 30 November 2009	FCA	Chartered Accountant
Rod Albury Appointed 18 October 2004 Appointed Chairman on 3 December 2009	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 Appointed 17 September 2003 Chair of Remuneration and Nominations Committee's from 30 November 2009	A Grade Mechanic	Runs own automotive business
Ken Franks Appointed 22 March 2001 Company Secretary from 22 December 2009	Land Surveyor	Property investor, past chair of Harp Village Business Association
Mark Heffernan Appointed 7 July 2008 Treasurer from 7 July 2008	CPA	Runs own financial services business Former credit union Treasurer
Brad Miles Appointed 1 September 2008 Resigned 30 November 2009	B.Sc.(Hons); MEIANZ	Accountable Officer of a statutory body Current and past office bearer of a number of local community organisations
Kate Tassiopoulos Appointed 6 June 2009 Resigned 30 November 2009	B.Ec	Recruitment and succession planning within the finance sector
Ross McDermott Appointed 10 March 2009	B Com CA	Chartered Accountant, Tax Agent, Company Liquidator
Paula Davey Appointed 28 April 2010		Former local councillor, extensive connections with community organisations, consultant and facilitator

Other than shown below no Director has material interests in contracts or proposed contracts with the Company.

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Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating Results

Operations have continued to perform in line with expectations. The profit after income tax expense for the Company for the financial year was \$155,911 (2009: \$104,512).

Dividends	Year Ended 30 June 2010	
	Cents Per Share	\$
Final dividends proposed:	8	38,600
Dividends paid in the year:		
- Interim for the year	6	28,951
- As recommended in the prior year report	8	38,600

Significant changes in the state of affairs

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

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely Developments

The Company will continue its policy of providing banking services to the community. The Company is considering a new facility in the Kew Junction precinct.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

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Directors' Benefits

Mark A Heffernan, a current director of the Company, is a principal of Heffernan Crawford Partners Pty Ltd, Certified Practising Accountants. An employee of Heffernan Crawford Partners Pty Ltd, Mr Leon Caulfield acted as Secretary of the company from 3 February to 22 December 2009 and Heffernan Crawford Partners Pty Ltd was paid \$21,044 for this service for the financial year ended 30 June 2010 (2009 \$13,877).

Other than stated above no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Executive Remuneration

<u>Branch Manager</u>	<u>Primary Benefits Salary & Fees</u> \$	<u>Post Employment Superannuation</u> \$	<u>Other *</u> \$	<u>Total</u> \$
George Prodromidis				
2010	106,102	10,579	-	116,681
2009	102,461	9,830	-	112,291

* Other payments represent the payment of a bonus which is paid in accordance to a pre-determined matrix of performance outcomes including achieving budget against - lending, deposit, income and loan approvals and the results of the Bendigo & Adelaide Bank Ltd annual review that focuses on customer service, community engagement, people management and development, financial and business processes. The bonus will be paid in September 2010 and represents 9.4% (2009: 4%) of salary.

Directors Meetings

The number of Directors meetings held and attended:

Director	Board	Remuneration	Nominations	Community Grants	Audit & Risk
Sue Allen (resigned 30 November 2009)	4 (5)	N/A	N/A	N/A	1 (1)
John McConnell	4 (5)	N/A	2 (2)	N/A	1 (1)
Shane Pappas	4 (5)	2 (2)	2 (2)	N/A	N/A
Eric Thomas	12 (13)	N/A	N/A	3 (3)	5 (5)
Rod Albury	13 (13)	3 (3)	4 (4)	2 (3)	2 (4)
Allen Borella	12 (13)	5 (5)	4 (4)	N/A	N/A
Ken Franks	13 (13)	N/A	4 (4)	N/A	N/A
Mark Heffernan	11 (13)	N/A	N/A	N/A	5 (5)
Brad Miles (resigned 30 November 2009)	4 (5)	N/A	N/A	2 (2)	N/A
Kate Tassiopoulos (resigned 30 Nov. 2009)	5 (5)	N/A	N/A	N/A	N/A
Ross McDermott	5 (5)	N/A	N/A	N/A	4 (4)
Paula Davey (appointed 28 April 2010)	5 (5)	N/A	N/A	1 (1)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Ken Franks has been the Company secretary of Kew East Financial Services Ltd since 22 December 2009. Refer above for Ken's qualifications and experience.

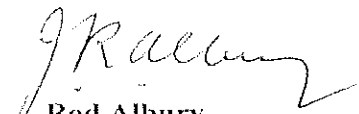
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Directors' Report

Corporate Governance

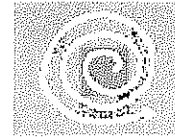
The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit & risk committee. Members of the audit & risk committee are Eric Thomas, Mark Heffernan and Ross McDermott.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Signed in accordance with a resolution of the Board of Directors at Kew on 19 September 2010.


Rod Albury
Chairman

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Bevly A Andrews

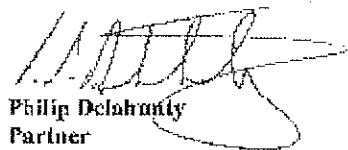
19 September 2010

The Directors
Kew East Financial Services Limited
661A High Street
KEW EAST VIC 3102

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Kew East Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Philip Delahunty
Partner
Richmond Sinnott & Delahunty

Kew East Financial Services Limited
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Statement of Comprehensive Income
for the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	1,165,614	993,601
Employee benefits expense	3	(353,992)	(363,611)
Charitable donations and sponsorship		(290,399)	(184,944)
Depreciation and amortisation expense	3	(25,874)	(35,972)
Other expenses from ordinary activities	3	<u>(283,952)</u>	<u>(259,771)</u>
Profit before income tax expense		211,397	149,303
Income tax expense	4	<u>55,486</u>	<u>44,791</u>
Profit after income tax expense		155,911	104,512
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>155,911</u>	<u>104,512</u>
Earnings per share (cents per share)			
- basic for profit for the year	22	32.31	21.66
- diluted for profit for the year	22	32.31	21.66

Kew East Financial Services Limited
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Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	669,263	610,322
Current tax refundable	4	-	24,669
Receivables	7	119,096	93,940
Investments	8	11,416	10,073
Total Current Assets		<u>799,775</u>	<u>739,004</u>
Non-Current Assets			
Property, plant and equipment	9	92,367	90,443
Deferred tax assets	4	24,210	26,151
Intangible assets	10	14,167	24,167
Total Non-Current Assets		<u>130,744</u>	<u>140,761</u>
Total Assets		<u>930,519</u>	<u>879,765</u>
Current Liabilities			
Current tax payable	4	4,751	-
Payables	11	32,636	70,349
Provisions	12	68,556	70,888
Total Current Liabilities		<u>105,943</u>	<u>141,237</u>
Non-Current Liabilities			
Deferred tax liability	4	4,250	7,250
Provisions	12	3,657	2,969
Total Non-Current Liabilities		<u>7,907</u>	<u>10,219</u>
Total Liabilities		<u>113,850</u>	<u>151,456</u>
Net Assets		<u>816,669</u>	<u>728,309</u>
Equity			
Share capital	13	482,510	482,510
Retained earnings	14	334,159	245,799
Total Equity		<u>816,669</u>	<u>728,309</u>

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Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,226,184	961,088
Cash payments in the course of operations		(1,081,236)	(909,632)
Interest paid		(8)	-
Interest received		26,475	37,038
Income tax paid		(27,125)	-
Net cash flows from/(used in) operating activities	15b	144,290	88,494
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(17,798)	(5,493)
Net cash flows from/(used in) investing activities		(17,798)	(5,493)
Cash Flows From Financing Activities			
Dividends paid		(67,551)	(77,201)
Net cash flows from/(used in) financing activities		(67,551)	(77,201)
Net increase/(decrease) in cash held		58,941	5,800
Cash and cash equivalents at start of year		610,322	604,522
Cash and cash equivalents at end of year	15a	669,263	610,322

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Statement of Changes in Equity
for the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		482,510	482,510
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		<u>482,510</u>	<u>482,510</u>
RETAINED EARNINGS			
Balance at start of year		245,799	218,488
Profit after income tax expense		155,911	104,512
Dividends paid	21	<u>(67,551)</u>	<u>(77,201)</u>
Balance at end of year		<u>334,159</u>	<u>245,799</u>

Kew East Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Kew East Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 19 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset using rates ranging from 5 to 33%.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investments

Following initial recognition at cost, investments are recorded at fair value at reporting date if the fair value is below cost. Impairment is recognised as an expense.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and Borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. Revenue from ordinary activities	2010	2009
	\$	\$
Operating activities		
- services commissions	1,135,442	958,046
Total revenue from operating activities	<u>1,135,442</u>	<u>958,046</u>
Non-operating activities:		
- interest received	28,829	35,052
- other revenue	1,343	503
Total revenue from non-operating activities	<u>30,172</u>	<u>35,555</u>
Total revenue from ordinary activities	<u><u>1,165,614</u></u>	<u><u>993,601</u></u>

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Notes to the Financial Statements
for the year ended 30 June 2010

3. Expenses	2010	2009
	\$	\$
Employee benefits expense		
- wages and salaries	295,625	299,095
- superannuation costs	29,522	27,924
- workers' compensation costs	1,056	936
- other costs	27,789	35,656
	<u>353,992</u>	<u>363,611</u>
Depreciation of non-current assets:		
- plant and equipment	4,973	15,657
- fixtures and fittings	7,072	6,593
- office furniture and equipment	3,829	3,722
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	<u>25,874</u>	<u>35,972</u>
Other Expenses:		
- Accounting fees	56,026	45,264
- IT Costs	27,530	29,356
- Marketing	53,939	46,019
- Occupancy costs	57,301	56,945
- Insurance	10,947	17,061
- Other expenses	78,209	65,126
	<u>283,952</u>	<u>259,771</u>
Finance Costs:		
- Interest paid	8	-
Bad debts	49	71
4. Income Tax Expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	63,419	44,791
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(7,933)	-
<i>Current income tax expense</i>	<u>55,486</u>	<u>44,791</u>
Income tax expense	<u>55,486</u>	<u>44,791</u>
Tax liabilities		
Current tax payable / (refundable)	<u>4,751</u>	<u>(24,669)</u>
Deferred tax liability	<u>4,250</u>	<u>7,250</u>

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4. Income Tax Expense (continued)	2010	2009
	\$	\$
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	24,210	26,151
	<u>24,210</u>	<u>26,151</u>
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	2,900	-
- Share registry services	2,168	3,036
	<u>5,068</u>	<u>3,036</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	669,263	610,322
	<u>669,263</u>	<u>610,322</u>
7. Receivables		
Trade debtors	105,109	88,346
Other debtors	13,987	5,594
	<u>119,096</u>	<u>93,940</u>
8. Investments		
Units in managed funds - at cost	15,000	15,000
Less impairment in value	(3,584)	(4,927)
	<u>11,416</u>	<u>10,073</u>
9. Property, Plant and Equipment		
<i>Plant and equipment</i>		
At cost	139,720	139,720
Less accumulated depreciation	(139,720)	(134,747)
	<u>-</u>	<u>4,973</u>
<i>Office furniture & equipment</i>		
At cost	35,910	34,214
Less accumulated depreciation	(25,547)	(21,719)
	<u>10,363</u>	<u>12,495</u>
<i>Fixtures & fittings</i>		
At cost	127,841	111,739
Less accumulated depreciation	(45,837)	(38,764)
	<u>82,004</u>	<u>72,975</u>
Total written down amount	<u>92,367</u>	<u>90,443</u>

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9. Property, Plant and Equipment (continued)

	2010	2009
	\$	\$
Movements in carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	4,973	17,111
Additions	-	3,519
Disposals	-	-
Depreciation expense	(4,973)	(15,657)
Carrying amount at end of year	<u>-</u>	<u>4,973</u>
<i>Office furniture & equipment</i>		
Carrying amount at beginning of year	12,495	14,243
Additions	1,697	1,974
Disposals	-	-
Depreciation expense	(3,829)	(3,722)
Carrying amount at end of year	<u>10,363</u>	<u>12,495</u>
<i>Fixtures & fittings</i>		
Carrying amount at beginning of year	72,975	79,567
Additions	16,101	-
Disposals	-	-
Depreciation expense	(7,072)	(6,592)
Carrying amount at end of year	<u>82,004</u>	<u>72,975</u>

10. Intangible Assets

<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	(35,833)	(25,833)
	<u>14,167</u>	<u>24,167</u>

11. Payables

Trade creditors	32,636	70,349
	<u>32,636</u>	<u>70,349</u>

12. Provisions

<i>Current</i>		
Employee benefits	68,556	70,888
	<u>68,556</u>	<u>70,888</u>
<i>Non-current</i>		
Employee benefits	3,657	2,969
	<u>3,657</u>	<u>2,969</u>

13. Share Capital

482,510 Ordinary Shares fully paid of \$1 each	482,510	482,510
	<u>482,510</u>	<u>482,510</u>

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Notes to the Financial Statements
for the year ended 30 June 2010

14. Retained Earnings / (Accumulated Losses)	2010	2009
	\$	\$
Balance at the beginning of the financial year	245,799	218,488
Profit/(loss) after income tax	155,911	104,512
Dividends	(67,551)	(77,201)
Balance at the end of the financial year	<u>334,159</u>	<u>245,799</u>

15. Statement of Cash Flows

(a) Cash and cash equivalents

Cash assets	669,263	610,322
	<u>669,263</u>	<u>610,322</u>

(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	155,911	104,512
Non cash items		
- Depreciation	15,874	25,972
- Amortisation	10,000	10,000
- Impairment / (gain in value) of investment	(1,343)	827
Changes in assets and liabilities		
- (Increase) decrease in receivables	(25,156)	484
- (Increase) decrease in current tax refundable	24,669	-
- (Increase) decrease in deferred tax asset	1,941	-
- Increase (decrease) in current tax payable	4,751	-
- Increase (decrease) in deferred tax payable	(3,000)	-
- Increase (decrease) in payables	(37,713)	7,079
- Increase (decrease) in provisions	(1,644)	(60,380)
Net cashflows from/(used in) operating activities	<u>144,290</u>	<u>88,494</u>

16. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Sue Allen (resigned 30 November 2009)
John McConnell
Shane Pappas
Eric Thomas
Rod Albury
Allen Borella
Ken Franks
Mark Heffernan
Brad Miles (resigned 30 November 2009)
Kate Tassiopoulos (resigned 30 November 2009)
Ross McDermott
Paula Davey (appointed 28 April 2010)

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16. Director and Related Party Disclosures (continued)

Mark A Heffernan a current director of the Company, is a principal of Heffernan Crawford Partners Pty Ltd, Certified Practising Accountant. An employee of Heffernan Crawford Partners Pty Ltd, Mr Leon Caulfield acted as Secretary of the company from 3 February to 22 December 2009 and Heffernan Crawford Partners Pty Ltd was paid \$21,044 for this services for the financial year ended 30 June 2010 (2009 \$13,877).

Other than stated above no director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2010	2009
Sue Allen (resigned 30 November 2009)	6,000	6,000
John McConnell	-	-
Shane Pappas	10,000	10,000
Eric Thomas	1,001	1,001
Rod Albury	-	-
Allen Borella	501	501
Ken Franks	3,901	5,001
Mark Heffernan	-	-
Brad Miles (resigned 30 November 2009)	500	500
Kate Tassiopoulos (resigned 30 November 2009)	-	-
Ross McDermott	1,000	1,000
Paula Davey (appointed 28 April 2010)	-	-

Other than the sale of 1,100 shares by Mark Heffernan there was no change in director shareholdings. Each share held has a paid up value of \$1 and is fully paid.

17. Subsequent Events

There have been no events after the end of the financial year that would materially affect the financial statements.

18. Contingent Liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Kew East, Victoria.

20. Corporate Information

Kew East Financial Services Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

661A High Street
Kew East, Victoria, 3102

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21. Dividends paid or provided for on ordinary shares	2010	2009
	\$	\$
(a) Dividends paid during the year		
(i) Current year interim		
Franked dividends - 6 cents per share (2009: 6 cents per share)	28,951	28,951
(ii) Previous year final		
Franked dividends - 8 cents per share (2009: 10 cents per share)	38,600	48,250
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 8 cents per share (2009: 8 cents per share)	38,600	38,600
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	209,529	206,863
- Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	4,751	(24,669)
	214,280	182,194

The tax rate at which dividends have been franked is 30% (2009: 30%).
Dividends proposed will be franked at a rate of 30% (2009: 30%).

22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	155,911	104,512
Weighted average number of ordinary shares for basic and diluted earnings per share	482,510	482,510

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Notes to the Financial Statements
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23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Committee which reports regularly to the Board. The Audit and Risk Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	2010	2009
	\$	\$
Cash assets	669,263	610,322
Investments	11,416	10,073
Receivables	119,096	93,940
	<u>799,775</u>	<u>714,335</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Kew East Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2010

23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
30 June 2010	\$	\$	\$	\$	\$
Payables	32,636	(32,636)	(32,636)	-	-
	<u>32,636</u>	<u>(32,636)</u>	<u>(32,636)</u>	<u>-</u>	<u>-</u>
30 June 2009					
Payables	70,349	(70,349)	(70,349)	-	-
	<u>70,349</u>	<u>(70,349)</u>	<u>(70,349)</u>	<u>-</u>	<u>-</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<u>Carrying Amount</u>	
	2010	2009
Fixed rate instruments	\$	\$
Financial assets	224,421	116,631
Financial liabilities	-	-
	<u>224,421</u>	<u>116,631</u>
Variable rate instruments		
Financial assets	444,842	493,691
Financial liabilities	-	-
	<u>444,842</u>	<u>493,691</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Kew East Financial Services Limited
ABN 91 096 301 058
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For the year ended 30 June 2010

23. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.


There were no changes in the Company's approach to capital management during the year.

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

In accordance with a resolution of the directors of Kew East Financial Services Limited,
I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are 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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.



Eric Thomas, Director

Signed at Kew East on 19 September 2010.

Share Information

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 17 September 2010, which is within 6 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.

<u>Number of Shares Held</u>	<u>Number of Shareholders</u>
1 to 1,000	165
1,001 to 5,000	88
5,001 to 10,000	9
10,001 to 100,000	0
100,001 and over	0
Total Shareholders	262

Each of the above shareholders are entitled to 1 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 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 8 shareholders 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 10 largest shareholders.

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Capital</u>
Adrian Lawler & Karen Lawler	15000	2
Bruce Diggles	10000	2
Estate Of James Michael Hall	10000	2
Fiona Margaet Cochrane as trustee for <ac381638>	10000	2
Ivory Home Pty Ltd As Trustee For <The Searle Executive Superannuation Fund A/c>	10000	2
James Raymond Smith As Trustee For (Avenel Super Fund No. 3>	10000	2
Marjorie Irene White	10000	2
Phillip R Gibbs & Margaret A Gibbs As Trustee For <P& M Gibbs S/F A/C>	10000	2
Susan Diggles	10000	2
Longbourne Pty Ltd	9000	1
	104,000	19

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:

Richmond Sinnott & Delahunty
172-176 Mclvor Road
Bendigo VIC 3550
Phone: (03) 5443 1177

Company Secretary

Ken Franks has been the company secretary of Kew East Community Financial Services Ltd since 22 December 2009. Ken Franks qualifications and experience include land surveying, property investing and he was the past chair of Harp Village Business Association.

Corporate Governance

The company has implemented various corporate governance practices, which include:

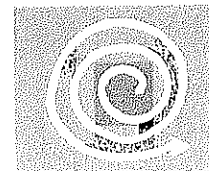
- (a) The establishment of an audit committee. Members of the audit committee are Eric Thomas, Mark Heffernan and Ross McDermott
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

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.

Richmond Sinnott & Delahunty

Chartered Accountants



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

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Kew East Financials Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

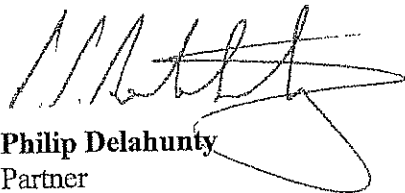
AUDIT OPINION

In our opinion, the financial report of Kew East Financials Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



Philip Delahunty
Partner
Bendigo

Date: 19 September 2010