

Kew East Financial Services Limited

Financial Report

as at

31 December 2010

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

Your Directors submit their report of the Company for the half year ended 31 December 2010.

Directors

The names of directors who held office during the half year and until the date of this report are:

Eric Thomas

Rod Albury

Allen Borella

Ken Franks

Mark Heffernan

Ross McDermott

Paula Davey

Directors were in office for this entire period unless otherwise stated.

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The increase in revenue was partially offset by an increase in costs associated with the proposed new branch and general operating costs. The net profit/(loss) of the company for the financial period was \$159,737 (2009: \$159,746).

Matters subsequent to the end of the reporting period

Subsequent to the reporting date the Board has been advised that Bendigo and Adelaide Bank Limited wish to unfavourably adjust the commission rates paid to Kew East Financial Services Limited. This is contrary to the current contractual arrangements between the two entities. Negotiations and investigations in respect to the financial impact of this (if any) are continuing.

There are no other 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 operations or the state of affairs of the Company.

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 period under review not otherwise disclosed in this report.

Kew East Financial Services Limited
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Directors' Report

Auditor Independence Declaration

The directors received the following independence declaration from the auditor of the Company:




25 February 2011

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

Dear Directors

Auditor's Independence Declaration

In relation to our review of the financial report of Kew East Financial Services Limited for the half year ended 31 December 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

Signed in accordance with a resolution of the Directors at Kew
on 25 February 2011.



.....
Rod Abury, Chairman

Kew East Financial Services Limited
ABN 91 096 301 058
Condensed Statement of Comprehensive Income
for the half-year ended 31 December 2010

	2010	2009
	\$	\$
Revenue from ordinary activities	657,256	577,262
Employee benefits expense	(209,325)	(171,178)
Charitable donations and sponsorship	(17,587)	-
Depreciation and amortisation expense	(12,754)	(15,131)
Other expenses from ordinary activities	<u>(189,393)</u>	<u>(163,220)</u>
Profit before income tax expense	228,197	227,733
Income tax expense	<u>68,460</u>	<u>67,987</u>
Profit after income tax expense	159,737	159,746
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>159,737</u></u>	<u><u>159,746</u></u>
Earnings per share (cents per share)		
- basic for profit for the half year	33.11	33.11
- diluted for profit for the half year	33.11	33.11

Kew East Financial Services Limited
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Condensed Statement of Financial Position
as at 31 December 2010

	31-Dec 2010 \$	30-Jun 2010 \$
Current Assets		
Cash and cash equivalents	867,329	669,263
Receivables	135,142	119,096
Investments	11,416	11,416
Total Current Assets	<u>1,013,887</u>	<u>799,775</u>
Non-Current Assets		
Property, plant and equipment	95,164	92,367
Deferred income tax asset	28,092	24,210
Intangibles	9,167	14,167
Total Non-Current Assets	<u>132,423</u>	<u>130,744</u>
Total Assets	<u>1,146,310</u>	<u>930,519</u>
Current Liabilities		
Payables	60,077	32,636
Current tax payable	62,945	4,751
Provisions	78,499	68,556
Total Current Liabilities	<u>201,521</u>	<u>105,943</u>
Non-Current Liabilities		
Deferred tax liability	2,750	4,250
Provisions	4,233	3,657
Total Non-Current Liabilities	<u>6,983</u>	<u>7,907</u>
Total Liabilities	<u>208,504</u>	<u>113,850</u>
Net Assets	<u>937,806</u>	<u>816,669</u>
Equity		
Issued capital	482,510	482,510
Retained earnings	455,296	334,159
Total Equity	<u>937,806</u>	<u>816,669</u>

Kew East Financial Services Limited
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Condensed Statement of Cash Flows
for the half-year ended 31 December 2010

	2010	2009
	\$	\$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	656,776	550,617
Cash payments in the course of operations	(422,880)	(402,558)
Interest received	13,321	8,262
Net cash flows from (used in) operating activities	<u>247,217</u>	<u>156,321</u>
Cash Flows From Investing Activities		
Purchase of property plant & equipment	(10,551)	-
Net cash flows from (used in) operating activities	<u>(10,551)</u>	<u>-</u>
Cash Flows From Financing Activities		
Dividends paid	(38,600)	(38,600)
Net cash flows from (used in) financing activities	<u>(38,600)</u>	<u>(38,600)</u>
Net increase (decrease) in cash held	198,066	117,721
Cash and cash equivalents at start of period	669,263	610,322
Cash and cash equivalents at end of period	<u><u>867,329</u></u>	<u><u>728,043</u></u>

Kew East Financial Services Limited
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Condensed Statement of Changes in Equity
for the half-year ended 31 December 2010

	<u>Notes</u>	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2009		482,510	245,799	728,309
Profit after income tax expense		-	159,746	159,746
Issue of share capital		-	-	-
Dividends paid	5	<u>-</u>	<u>(38,600)</u>	<u>(38,600)</u>
As at 31 December 2009		<u><u>482,510</u></u>	<u><u>366,945</u></u>	<u><u>849,455</u></u>

		Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2010		482,510	334,159	816,669
Profit after income tax expense		-	159,737	159,737
Issue of share capital		-	-	-
Dividends paid	5	<u>-</u>	<u>(38,600)</u>	<u>(38,600)</u>
As at 31 December 2010		<u><u>482,510</u></u>	<u><u>455,296</u></u>	<u><u>937,806</u></u>

Kew East Financial Services Limited
ABN 91 096 301 058
Notes to the Financial Statements
for the half-year ended 31 December 2010

1. Basis of preparation of the Half-Year Financial Report

(a) Basis of accounting

Kew East Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the half year ending 31 December 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Kew East Financial Services Limited as at 30 June 2010. It is also recommended that this half year financial report be considered together with any public announcements made by Kew East Financial Services Limited during the half year ended 31 December 2010 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

For the purpose of preparing the half year financial statements the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards. 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) Summary of significant accounting policies

The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

2. Events subsequent to Reporting Date

Subsequent to the reporting date the Board has been advised that Bendigo and Adelaide Bank Limited wish to unfavourably adjust the commission rates paid to Kew East Financial Services Limited. This is contrary to the current contractual arrangements between the two entities. Negotiations and investigations in respect to the financial impact of this (if any) are continuing.

There have been no other events subsequent to reporting date that would materially effect the financial statements at the reporting date.

3. Contingent Assets and Liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

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Notes to the Financial Statements
for the half-year ended 31 December 2010

4. 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.

5. Dividends Paid

	2010	2009
	\$	\$
<i>Dividends paid during the half year</i>		
Final franked dividend for the year ended 30 June 2010 of 8 cents (2009: 8 cents)	38,600	38,600
<i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for the year ended 30 June 2011 of 6 cents (2010: 6 cents)	28,951	28,951

Kew East Financial Services Limited
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Directors Declaration
for the half-year ended 31 December 2010

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:
 - (i) give a true and fair view of the Company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134, "Interim Financial Reporting", the Corporations Act 2001 and other mandatory reporting requirements; and
- (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.


.....
Rod Albury

Signed at Kew on 25 February 2011