

annual report 2009



Kew East Financial
Services Limited
ABN 91 096 301 058

Kew East **Community Bank**[®] Branch

Contents

Chairman's report	2-4
Manager's report	5
Corporate governance	6-9
Directors' report	10-14
Auditor's independence declaration	15
Financial statements	16-19
Notes to the financial statements	20-28
Directors' declaration	29
Independent audit report	30-31
BSX report	32-34

Chairman's report

For year ending 30 June 2009

Summary

As I reflect on six years of service on the Board of this Company, I can't help but be conscious of the enormous input into the local community by volunteers. Without them, our sporting clubs, schools, kindergartens, scouts, church groups, op shops, senior citizens groups, Rotary Clubs, neighbourhood houses and many other groups would not be able to function at the level they do.

Likewise, your Directors give countless hours of time and effort to ensure your **Community Bank**[®] branch runs well and fulfill its obligations to the community.

When I started out as a Director, the Company was still making (small) trading losses. It is now consistently making a profit and investing money back into the community. The tables of grants, sponsorships and dividends following in this report tell their own story. The sum total of profits invested back into the community in the last seven years has been over \$620,000.

Some of the milestones in the last six years include exceeding \$100 million of business, listing on the Bendigo Stock Exchange, commencing our Community Grants Program, launching a significant Sponsorship Program, and commencing an active Community Engagement Program.

What will the next six years hold? By being able to build on what has happened in the past, the next six years should be very exciting. Sadly, I will not be quite as involved as I have been. Pressure of work and family means I have decided not to seek a further term of office.

Taking us into the future, we have a committed group of Directors, and a robust system of corporate governance and compliance. We also have the experience of staff from the **Community Bank**[®] sector of Bendigo and Adelaide Bank Ltd. I wish them all well.

Personnel

During the year, we welcomed Kate Tassiopolous to the Board. Kate has a background in human resource management, filling a gap in our overall skills set. She has embraced the **Community Bank**[®] concept enthusiastically, and will be a valuable colleague.

Leon Caulfield has been appointed as our Company Secretary. Leon is a CPA working with our Treasurer Mark Heffernan in his accountancy business. Between them, Leon and Mark are responsible for most of the Company's compliance with regulatory bodies.

We have also appointed Alex Hume as our co-ordinator of Harp Village events. She recently organised a successful pavement chalk drawing event in High St. We look forward to the rest of her plans for us.

Chairman's report continued

Sponsorships and grants

It's good to stop and take stock occasionally of just what we have been able to invest into the community. The following table recaps our history of sponsorship and community grant spending.

Financial year	Grants	Sponsorships	Donations	Total
2002/03		6,000 ¹		6,000
2003/04				0
2004/05		4,340		4,340
2005/06	6,400	15,170		21,570
2006/07	59,400 ²	7,075		66,475
2007/08	50,000 ³	36,750		86,750
2008/09	145,000 ⁵	40,000		185,000
Total	\$260,800	\$103,335	\$6,000	\$370,135

1. The \$6,000 Donations made in 2002/03 were provided by Bendigo and Adelaide Bank Ltd in recognition of growth in the Company's business in the first year or two.
2. During 2006/07 we made grants of \$18,500 to community groups, and also made a contribution of \$40,900 to the Community Enterprise Foundation (CEF), the philanthropic body established by Bendigo and Adelaide Bank Ltd to assist the **Community Bank**[®] network with grants programs. Of this amount, \$26,552 was actually distributed to community groups we nominated to CEF during our 2007 Community Grants program.
3. During 2007/08 we made a further contribution of \$50,000 towards our 2008 Community Grants program. We distributed just under \$60,000 (from our accumulated balance of \$61,000 in CEF) to community groups as part of our 2008 Community Grants program.
4. Our current sponsorship program runs for three years. We expect to spend another \$26,000 in the coming year to complete that program.
5. This represents contributions to CEF during the 2008/09 financial year, for distribution during our 2009 Community Grants program.

Sponsorships

We have three primary schools and eleven sporting clubs participating in our Sponsorship Program. This is giving us a high profile in the local area, and is enabling us to establish worthwhile relationships with each group. We also support Kew Festival each year.

Community grants

Our program this year will again encompass a range of community groups, but with a focus on schools and kindergartens. The projects include health issues, playground upgrades, community veggie gardens and children's play equipment. We have made \$80,000 available to support these requests.

Chairman's report continued

This year we also expect to be able to fulfill our pledge to the Kew Historical Society to support the conversion of the former Court House and Police Station to a community facility.

Dividends

Our returns to shareholders have also been substantial, as can be seen in this table:

Financial year	Interim ¢ per share	Interim \$	Final ¢ per share	Final \$	Total \$ each year
2004/05	2	9,650	3	14,475	24,125
2005/06	3	14,475	3 (f)	14,475	28,950
2006/07	5 (f)	24,125	6 (f)	28,950	53,075
2007/08	6 (f)	28,950	8 (f) 2 (f) special	48,250	77,200
2008/09	6 (f)	28,950	8 (f)	38,600	67,550
Total paid to date					\$ 250,900

(f) indicates dividend was franked

The special dividend was to recognise the outstanding year we had in 2007/08.

A successful customer means a successful community means a successful bank

Bendigo and Adelaide Bank Ltd is consistently the highest rating bank in terms of customer satisfaction. At Kew East **Community Bank**® Branch, we are totally focused on successful outcomes for our customers. We know that satisfied customers will spread the good word to their friends and relations. Thank you for your continued support of your bank.



Sue Allen
Chairman

Manager's report

For year ending 30 June 2009

The past financial year has been an interesting one with regards to the GFC (Global Financial Crisis). However, I've heard enough about the GFC and it's time we focused on the positives for the year of our Company. Following on from the Chairman's report, it's pleasing to note that even in these tough times we continued to support our community/shareholders via grants, sponsorship & dividends. In fact we exceeded last years figures overall.

Growth has been steady and to date (September 2009) we hold over 4,096 accounts with an overall book size of \$140 million. This is made up of deposits \$102 million and lending \$38 million. A highlight for the year for me was winning the inaugural "Regional branch of the year" award.

As we continue to grow and tell our community story, the local community is gaining a better understanding of how our business supports their local community. The more we grow the more support our local community receives.

To most customers our staff are the face of their **Community Bank**[®] branch and to be continually greeted by both name and a friendly face that can provide courteous and professional service is a key element to the success of our branch. On that note I would like to acknowledge the support and hard work of my team, Marie, Elie, Jenny, Glenda, Di and Debra who recently joined the team in September 2008.

I encourage you all to speak to family, friends and associates of the wonderful experiences you've had and mention the success and contributions your Kew East **Community Bank**[®] Branch has made to your community. Banking with your local **Community Bank**[®] branch assists the community as well as the customer.



George Prodromidis
Branch Manager

Corporate governance

For year ending 30 June 2009

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 the 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 and Adelaide Bank Ltd **Community Bank**[®] branch also sets out roles and responsibilities of both the Board and management.

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 assessments of the Board's 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 and Adelaide Bank Ltd criteria, and a full year review based on a combination of Bendigo and Adelaide Bank Ltd criteria and Company KPI's which 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 the 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.

Corporate governance continued

Principle 2 – Structure the Board to add value (continued)

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 weakness 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 the Directors' 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 and Adelaide Bank Ltd, which governs the operations of the Company as a branch of Bendigo and Adelaide Bank Ltd. The committee consists of three Directors, whose names and attendance at meetings are set out under Item 11 of the Directors' Report.

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 the Directors' 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 the Directors' 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 and Adelaide Bank Ltd.

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).

Corporate governance continued

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 the Directors' 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.

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 communicates 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 and Adelaide Bank Ltd'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 the Directors' Report.

Principle 8 – Remunerate fairly and responsibly

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 the Directors' Report.

For the year ended 30 June 2009, the Company has paid or provided a salary to its CEO, including bonus and superannuation, of \$112,291 (2008: \$117,109).

Corporate governance continued

Principle 8 – Remunerate fairly and responsibly (continued)

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 and Adelaide 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.

The bonus for the year ended 30 June 2009 represented 4% (2008: 12.2%) 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 and Adelaide Bank Ltd and its staff.

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

Directors' report

For year ending 30 June 2009

The Directors present their report together with the financial statements of Kew East Financial Services Ltd ("the Company") for the year ended 30 June 2009 and the Auditors' report thereon.

1. Directors in office -

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

Name and position held	Qualifications	Experience
Sue Allen Chair	Dip Bus Studs (Acc); Dip Fin Planning; CPA (FPS); CA, CFP® ; MAICD	Runs own financial planning business
John McConnell Chair of Audit & Risk Committee	B.Com; Dip Banking; FAICD; FAIM; F Fin	Former bank executive, Company Director
Shane Pappas Chair of Nominations Committee, Chair of Remuneration Committee	Dip Eng (Mech); Masters of Business (Management)	Operations Manager
Eric Thomas Chair of Community Grants committee	FCA	Chartered accountant
Rod Albury	T.P.T.C; B Ed; Dip Art; F.R.M.I.T	Retired, former school principal, member of Kew Community Festival Committee
Allen Borella		Runs own automotive business
Ken Franks	Land Surveyor	Property investor, past chair of Harp Village Business Association
Shona MacInnes retired 18/11/08	Manager	Committee member of Kew Junior Football Club
Mark Heffernan appointed 7/7/08 Treasurer - appointed 7/7/08	CPA	Runs own financial services business Former credit union Treasurer

Directors' report continued

Name and position held	Qualifications	Experience
Brad Miles appointed 1/9/08	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 6/6/09	B.Ec	Recruitment and succession planning within the finance sector

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

2. Company Secretary

The Company Secretary is Leon Caulfield CPA.

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 \$44,791 (2008:\$95,406), amounted to \$104,512 (2008: \$222,616) for the year.

5. Dividends paid or declared

A final dividend for 2008 of eight cents per share, totalling \$38,600, was paid on 28 November 2008. This dividend was fully franked.

A special dividend of two cents a share, totalling \$9,650 was paid on 28 November 2008. This dividend was fully franked.

An interim dividend for 2009 of six cents per share, totalling \$28,951, was paid on 30 April 2009. This dividend was fully franked.

A final dividend of eight cents per share, totalling \$38,600 is proposed for payment on 30 November 2009. This dividend will be fully franked.

6. Review of operations

The Company continued its banking operations for the year ended 30 June 2009. Business has now passed the \$130 million mark.

Grants of \$60,000 (2008 \$26,552) were paid to local community groups from Bendigo and Adelaide Bank Ltd Community Enterprise Foundation™ on behalf of the Company from moneys set aside by the Company during the previous financial year.

During the year, a further \$145,000 (2008 \$50,000) was paid into Bendigo and Adelaide Bank Ltd Community Enterprise Foundation™ for future grants.

Directors' report continued

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 or circumstance, which in the opinion of the Directors of the Company, 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. Indemnified Officers

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

No Director or Director related entity has received any benefits or payment for services rendered.

11. Directors' meetings

Number of meetings held and attended:

	Board		Committees							
	Eligible to attend	Attended	Audit & risk		Community grants		Nominations		Remuneration	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Sue Allen	10	10	2	2						
Shane Pappas	10	9					2	2	2	2
John McConnell	10	9	2	2			2	2		
Rod Albury	10	10			6	6				
Allen Borella	10	9							2	2
Ken Franks	10	8								
Eric Thomas	10	10			6	6				
Shona MacInnes	5	3								
Mark Heffernen	10	8	2	2						
Brad Miles	8	6			6	6				
Kate Tassiopolous	1	1								

Directors' report continued

12. Directors' shareholdings

Shares in the Company owned by Directors or associated entities are:

Name	Shares held	Name	Shares held
Sue Allen	6,000	Allen Borella	501
Shane Pappas	10,000	John McConnell	-
Rod Albury	-	Shona MacInnes	-
Ken Franks	5,001	Mark Heffernan	-
Eric Thomas	1,001	Brad Miles	500
Kate Tassiopolous	-		

13. Remuneration

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

For the year ended 30 June 2009, the Company has paid or provided a salary, including bonus and superannuation, of \$112,291 (2008: \$117,109) to its Branch Manager.

The Branch Manager's bonus is paid according to a pre-determined matrix of performance outcomes, including achieving budget for growth in the business, and results of an annual performance review conducted by Bendigo and Adelaide Bank Ltd. The annual review focuses on matters such as the quality of our customer relationships, the standing of the Company in the local community and the level of service provided by our staff. These matters all contribute to the Company's growth and profitability.

The bonus for the year ended 30 June 2009 represented 4% (2008: 12.2%) of salary.

14. Non-audit services

The Board of Directors is satisfied that the provision of non-audit services by the external Auditor during the 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 does 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 2009: \$Nil (2008: \$Nil).

Directors' report continued

15. Auditors Independence Declaration

The lead Auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 15 of this financial report.

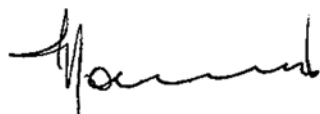
16. Proceedings on behalf of the Company

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 year.

Dated at Melbourne, Victoria on 10 September 2009

Signed in accordance with a resolution of the Directors:



John McConnell

Director

Auditor's independence declaration

Armstrong Partners

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the audit of Kew East Financial Services Limited for the year ended 30 June 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 audit; and
- (ii) no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kew East Financial Services it controlled during the period.



Armstrong Partners



**David Armstrong
Partner**

Melbourne

11 September 2009

Financial statements

Statement of comprehensive income For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenue from ordinary activities	2	993,601	973,690
Depreciation and amortisation	3	(35,972)	(40,188)
Employee costs		(363,611)	(337,623)
Other expenses from ordinary activities		(299,715)	(227,857)
Payments for community grants	4	(145,000)	(50,000)
Profit before income tax expense		149,303	318,022
Income tax expense	5	(44,791)	(95,406)
Net profit for the year		104,512	222,616
Earnings per share (cents)		21.7	46.1
Dividends per share (cents)	6	14.0	16.0

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2009

	Note	2009 \$	2008 \$
Current assets			
Cash	8	610,322	604,522
Receivables	9	93,940	100,123
Investments	10	10,073	10,900
Total current assets		714,335	715,545
Non-current assets			
Property, plant and equipment	11	90,443	110,921
Other assets	12	50,318	54,619
Total non-current assets		140,761	165,540
Total assets		855,096	881,085
Current liabilities			
Accounts payable	13	45,680	115,453
Provisions	15	70,888	31,671
Total current liabilities		116,568	147,124
Non-current liabilities			
Other liabilities	14	7,250	10,250
Provisions	15	2,969	22,713
Total non-current liabilities		10,219	32,963
Total liabilities		126,787	180,087
Net assets		728,309	700,998
Equity			
Issued capital	16	482,510	482,510
Retained earnings	7	245,799	218,488
Total equity		728,309	700,998

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		961,088	1,017,809
Interest received		37,038	21,588
Payments to suppliers & employees		(764,632)	(691,001)
Community grants paid		(145,000)	(50,000)
Net cash provided by operating activities	18	88,494	298,396
Cash flows from investing activities			
Investment in managed fund	10	-	(15,000)
Payment for property, plant & equipment		(5,493)	(7,750)
Net cash provided by (used in) investing activities		(5,493)	(22,750)
Cash flows from financing activities			
Dividends paid	6	(77,201)	(57,902)
Net cash provided by (used in) financing activities		(77,201)	(57,902)
Net increase in cash held		5,800	217,744
Cash at beginning of period		604,522	386,778
Cash at end of period	8	610,322	604,522

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Ordinary shares \$	Retained earnings \$	Total \$
Balance at 1 July 2007	482,510	53,774	536,284
Profit attributable to members of the Company	-	222,616	222,616
Dividends paid	-	(57,902)	(57,902)
Balance at 30 June 2008	482,510	218,488	700,998
Profit 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

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

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
Office furniture & equipment	10% pa
Fixtures & fittings	5% pa

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 writedown in the value of the franchise asset necessary.

Investment

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

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

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.

	2009	2008
	\$	\$

Note 2. Revenue from ordinary activities

Banking income	958,046	945,793
Interest	35,052	27,897
Other investment income	503	
	993,601	973,690

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee provisions	19,473	9,074
Depreciation of plant & equipment	15,657	20,421
Depreciation of office furniture & equipment	3,722	3,274
Depreciation of fixtures & fittings	6,593	6,493
Amortisation of franchise fee	10,000	10,000
Impairment of investment	1,827	4,100
Community grants	145,000	50,000

Notes to the financial statements continued

	2009 \$	2008 \$
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Note 4. Community grants

The Company uses the Community Enterprise Foundation™ (CEF), the philanthropic arm of Bendigo and Adelaide Bank Ltd, to administer its community grants programs. Each year, the Company contributes an amount of money to the CEF to support future grants to local organizations. Moneys paid to the CEF, and grants made from the CEF to local organisations are as follows:

Contributions to CEF for future grants	145,000	50,000
Grants made from CEF to local organisations	60,000	26,550

Note 5. 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%	44,791	95,406
Income tax expense attributable to profit from ordinary activities	44,791	95,406

Note 6. Dividends

Dividends paid or proposed on ordinary shares:

Interim dividend, fully franked, paid for 2009, (6 cents per share) (2008: 6 cents per share)	28,951	28,951
Final dividend, fully franked, proposed but not recognised as a liability (8 cents per share) (2008: 10 cents per share)	38,600	48,250
Franking credit balance, at 30%	190,624	123,866

Note 7. Retained earnings

Retained profits at the start of the period	218,488	53,774
Net profit attributable to members of the Company	104,512	222,616
Dividends paid	(77,201)	(57,902)
	245,799	218,488

Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Cash		
Cash at bank – operating	610,222	604,422
Cash on hand	100	100
	610,322	604,522

Note 9. Receivables

Current

Debtors	88,346	92,368
Prepayments	0	175
Accrued income	5,594	7,580
	93,940	100,123

Note 10. Investments

Units in managed funds, at cost	15,000	15,000
Less impairment in value	(4,927)	(4,100)
	10,073	10,900

Note 11. Property, plant and equipment

Plant & equipment, at cost	139,720	136,201
Less: accumulated depreciation	(134,747)	(119,090)
	4,973	17,111
Office furniture & equipment, at cost	34,214	32,240
Less: accumulated depreciation	(21,719)	(17,997)
	12,495	14,243
Fixtures & fittings, at cost	111,739	111,739
Less: accumulated depreciation	(38,765)	(32,172)
	72,975	79,567
	90,443	110,921

Notes to the financial statements continued

	2009 \$	2008 \$
Note 11. Property, plant and equipment (continued)		
Reconciliation of plant & equipment		
Carrying amount at beginning of year	17,111	37,532
Additions	3,519	-
Disposals	-	-
Depreciation	(15,657)	(20,421)
Carrying amount at end of year	4,973	17,111
Reconciliation of office furniture & equipment		
Carrying amount at beginning of year	14,243	17,517
Additions	1,974	-
Disposals	-	-
Depreciation	(3,722)	(3,274)
Carrying amount at end of year	12,495	14,243
Reconciliation of fixtures & fittings		
Carrying amount at beginning of year	79,567	78,310
Additions	-	7,750
Disposals	-	-
Depreciation	(6,592)	(6,493)
Carrying amount at end of year	72,975	79,567

Note 12. Other assets

Non-current

Deferred tax asset	26,151	20,452
Intangibles - Franchise renewal fees, at cost	50,000	50,000
Less: accumulated amortisation	(25,833)	(15,833)
	50,318	54,619

Notes to the financial statements continued

	2009 \$	2008 \$
Note 13. Accounts payable		
Current		
Accrued creditors	69,492	62,413
Company tax payable	(24,669)	37,728
GST payable	857	15,312
	45,680	115,453

Note 14. Other liabilities

Non-current		
Deferred tax liability	7,250	10,250
	7,250	10,250

Note 15. Provisions

Current		
Employee entitlements	70,888	31,671
Non-current		
Employee entitlements	2,969	22,713
	73,857	54,384

Note 16. Issued capital

482,510 fully paid ordinary shares	482,510	482,510
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Note 17. Auditors' remuneration

- for auditing and reviewing the financial report	6,600	5,940
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Notes to the financial statements continued

	2009 \$	2008 \$
Note 18. Cash flow information		
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	104,512	222,616
Depreciation and amortisation	35,972	40,188
Impairment of investment	827	4,100
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	4,022	(22,305)
(Increase) decrease in other receivables	(3,538)	(11,308)
(Decrease) increase in trade creditors	7,079	39,240
(Decrease) increase in other creditors and provisions	(60,380)	25,865
Net cash inflow from operating activities	88,495	298,396

Note 19. Related party transactions

There have been no related party transactions.

Note 20. Capital commitments

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

Note 21. Contingent liabilities

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

Note 22. Segment reporting

Kew East Financial Services Ltd operates in the financial services sector where it provides banking and financial services to its customers. The Company operates in the geographic area of Kew East.

Note 23. 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.

Notes to the financial statements continued

Note 24. Financial instruments

(a) Financial instruments

(i) Derivative financial instruments:

The Company does not utilise derivative financial instruments

(ii) Unrecognised financial instruments

A Forward exchange contracts

The Company does not utilise forward exchange contracts

B 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.

(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:

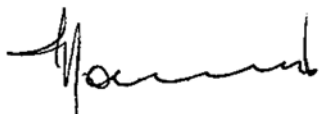
Financial instrument	Floating interest rate		Fixed interest rate maturing in 1 year or less		Non-interest bearing		Weighted average effective interest rate	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash assets	493,591	494,673	116,631	109,749	100	100	4.0	6.0
Receivables					93,940	100,123		
Investments								
Total financial assets	493,591	494,673	116,631	109,749	94,040	100,223		
Financial liabilities								
Payables					45,680	115,453		
Total financial liabilities					45,680	115,453		

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (a) give a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance for the year ended on that date; and
 - (b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
 - (c) 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 declaration required by section 295A of the Corporations ACT 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

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



John McConnell
Director

Dated at Melbourne, Victoria on 10 September 2009.

Independent audit report

Armstrong Partners

CHARTERED ACCOUNTANTS

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

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

Report on the financial report

We have audited the accompanying financial report of Kew East Financial Services Ltd (the company), which comprises the statement of financial position as at 30 June 2009, and the statement of comprehensive income, 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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standards AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

Independent audit report continued

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:

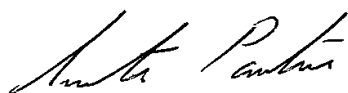
- a. the financial report of Kew East Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - ii. complying with the Australian 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.

Report on the Remuneration Report

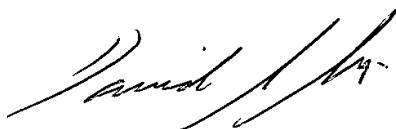
We have audited the Remuneration Report included in page 8 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Kew East Financial Services Ltd for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.



Armstrong Partners



**David Armstrong
Partner**

Melbourne

11 September 2009

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 3 September 2009, 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	146
1,001 to 5,000	78
5,001 to 10,000	12
10,001 to 100,000	1
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.

BSX report continued

The following table shows the twenty largest shareholders.

Shareholder	Number of shares	Percentage of capital
Adrian Lawler & Karen Lawler	15,000	3.1
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
Fiona Margaret Cochrane as trustee for <ac 381638>	10,000	2
Longbourne Pty Ltd	9,000	1.8
Geoffrey Bruce Thomas & Joan Erica Thomas	8,001	1.6
Michael Vincent Keating	7,500	1.5
Kenneth George Franks	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 Hoong 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

BSX report continued

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 McIvor Road,
Bendigo VIC 3550

Other information

Please refer to the Directors' report, within the annual report, for details of the Company secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

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

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

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9096) (10/09)



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