Kew East **Community Bank®** Branch

annual report 2012

Kew East Financial Services Limited

ABN 91 096 301 058

Contents

Chairman's report

For year ending 30 June 2012

In early December 2011 Kew East Financial Services Ltd celebrated a decade of banking business. Events included a cocktail party at the Kew Courthouse for past and present Directors and Steering Committee members, Birthday celebrations outside the branch for community members, and a customer dinner at Kew Golf Club. These activities were supported by grant or sponsorship recipients like Kew Band Melbourne, Melbourne Choir and e.motion21 and provided a great opportunity to describe the role and success of the company.

The Board is pleased to announce a profit of $186,841 ($146,900 – 2011) with a total dividend distribution of 14 cents per share (cps) and 2 cps special dividend both fully franked for the financial year 2012. Table below outlines shareholder returns.

Financial year	Interim ¢ per share	Interim	Final ¢ per share	Final	Total distribution
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
2009/10	6 (f)	28,950	8 (f)	38,600	67,550
2010/11	6 (f)	28,950	8 (f)	38,600	67,550
2011/12	6(f)	28,950	8(f) 2(f) special	48,250	77,200
Total Paid to date			96cps		**$463,200**

(f) Indicates dividend was fully franked
The special dividend was to recognise the outstanding year we had in 2007/08
The special dividend distributed in recognition of a decade of operation - 2011/12

The Board declared a 3 cps fully franked dividend paid in late September 2012.

Operating Profit before tax and community grants was $494,639 ($522,552 – 2011). For tax purposes and future community grants, $200,000 ($250,000 – 2011) was transferred to Community Enterprise FoundationTM, the philanthropic body established by Bendigo and Adelaide Bank to assist the **Community Bank®** network with grants programs.

$80 million returned to communities

Thanks to the support of **Community Bank®** customers and shareholders the Australia-wide network has now returned more than $80 million to support and strengthen local communities.

Our **Community Bank®** branch has played a key role in this milestone, returning more than $686,125 to our local community with a further $463,200 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local not for profit organisations and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Chairman's report (continued)

Interest rate movements

Our **Community Bank®** company and our partner Bendigo and Adelaide Bank, encourages transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgement calls on who they choose to do their banking business with.

Our bank is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between all of our stakeholders - borrowers, depositors, shareholders staff and the communities we partner with.

Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders - borrowers, depositors, shareholders staff and the wider communities – when it sets interest rates.

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long-term rating from BBB+ to A– means the Bank, including its **Community Bank®** partners, is now rated 'A' by all three of the world's leading credit rating agencies.

Restoring the balance update

Funding for all banks is expensive and likely to remain so, as a result margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our **Community Bank®** company's margin share with our franchise partner Bendigo and Adelaide Bank. We still share margin (in part based on fixed trails) but this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working together to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but we remain committed to addressing this with our partner.

Government guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from $1 million to $250,000 effective 1 February 2012.

All **Community Bank®** branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank®** branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our branch.

Chairman's report (continued)

Developments

In July the Board adopted a restructure of committees that ensures the increasing responsibilities requiring attention can be dealt with in a timely and informed manner. A Consultant was engaged to assist the Board in developing a Five Year Strategic Plan and a Business Plan for 2012/13. Director development included a presentation by a legal consultant on Director responsibilities and the Franchise Agreement with Bendigo Bank, as well Directors attended the State and National Bendigo and **Community Bank®** Conferences.

In August 2011, a Community Forum in Partnership with Rotary Club of North Balywn identified five community needs including Community Education Centre, Community Gardens, Men's Shed, Youth Support and Community Bus Shuttle service. Over 80 people attended representing 30 local community organisations.

The Kew **Community Bank®** Branch has progressed to a point where a Prospectus will be launched to seek capital for the branch, details of the fit-out are being developed and staff engaged. Anticipated opening of the branch should be in early 2013.

The Board continues to focus on opportunities to grow the business and to explore partnering significant local community projects.

Community contributions

During the year 17 (27) sponsorship totalling $27,183 ($54,078) were distributed to the following:

Boroondara Rugby Club	City of Boroondara	Kew Cricket Club
Kew Croquet Club	Kew East Primary School	Kew Festival
Kew Junior Cricket Club	Kew Junior Hockey Club	Kew Primary School
Kew Rovers	Kokoda Challenge	North Balwyn Baseball Club
Rotary Club of North Balwyn	Rotary Club of Kew	Sacred Heart School
St. Anne's PTFA	Zelman Orchestra	

After the 2011 AGM, the following 33 (27) community organisations received grants to the value of $156,751 ($94,357).

1st Kew Scouts	1st North Balwyn Scout Group	4th Kew Scout Group
7th Kew /1st Deepdene Scouts	Andale School	Australian Breastfeeding Association Kew/Hawthorn Group
Bellevue Kindergarten Inc Assoc	Friends of Boroondara Cemetery (Kew)	Boroondara Pre School
Chaplains Emergency Fund Kew High School ACCESS Ministries	e.motion21	J J McMahon Memorial kindergarten
Kew Baptist Church Possums Playgroup	Kew East Primary School	Kew Heights Sports Club Inc
Kew High School History Project Working Group	Kew Historical Society Inc	Kew Neighbourhood Learning Centre
Kew Pre-School Association	Kew Toy Library Inc	Melbourne Chapter Sweet Adelines International Incorporated
Melbourne East Disability Advocacy Inc	North Balwyn Playcentre Inc	Royal Talbot Rehabilitation Centre (Austin Hospital)
St Bridget's Primary School	Studley Park Kindergarten	U3A Deepdene
Victorian Brain Injury Recovery Association Inc	Victorian YMCA Youth & Community Services Inc	Villa Alba Museum Incorporated
Villa Maria Society	Youth Scholarship	Zelman Memorial Symphony Orchestra Inc

Chairman's report (continued)

Progressive community contributions:

Financial year	Community grants $	Community Enterprise Foundation™ $	Sponsorships $	Donations $	Total* $
2002/03				6,000#	6,000
2003/04					0
2004/05			4,340		4,340
2005/06	6,400		15,170		21,570
2006/07	18,500	40,900	7,075		66,475
2007/08	26,552	50,000	36,750		86,750
2008/09	59,667	145,000	40,000		185,000
2009/10	121,630	272,727	17,672		290,399
2010/11	94,357	250,000	54,078		304,078
2011/12	156,751	200,000	27,183		227,183
Total paid to date	**483,857**	**958,627**	**202,268**	**6,000**	**1,191,795**

\# Donation by Bendigo and Adelaide Bank in recognition of growth in the company's business in the first two years
Community Grants paid in November 2005, 2006 through KEFS account
Community Grants paid through the Community Enterprise Foundation in November 2007, 2008, 2009, 2010, 2011
Community Enterprise Foundation™ contributions paid in June 2007, 2008, 2009, 2010, 2011, 2012

* As reported in the Financial Statements – Charitable Donations and Sponsorships
Community Enterprise Foundation™ balance as at 30/06/2012 - $488,451.75

Future

The Board is exploring the capacity to partner with the City of Boroondara in joint projects that support the needs of our local community groups. It is anticipated that the launch of our new website will occur before the New Year.

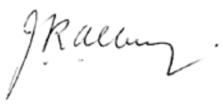
Additional personnel will be required to support Board management and capacity to communicate the **Community Bank®** story through engaging a writer and potentially a community engagement Officer to manage the growing relationship and needs of our community organisations.

The Board will be reviewing elements of Risk Management, share registry management and seek appointments of new Directors with the required skill set.

Acknowledgements

The Board thanks the fine work carried out by the Kew **Community Bank®** Steering Committee over the extensive campaign period. My thanks to fellow Directors for their diligent work and support, in particular to Director Paula Davey for her thorough work as Board administrator over the last two years. Thanks to our partners from Bendigo and Adelaide Bank particularly the Regional Manager Michael Pettering and support staff for their advice and inspiration.

Similarly, thanks to our Manager George Prodromidis and staff for their personal service to our valued customers - the means by which the business grows. Finally, thank you to our loyal shareholders who have provided the resources for this successful community enterprise may it to continue to prosper and enrich the lives of our community members well into the 21st Century.



Rod Albury
Chairman

Manager's report

For year ending 30 June 2012

As a traditional banker with over 20 years experience in mainstream banking, I continue to be amazed at the success and sustainability of the **Community Bank®** model and the diversity of the community outcomes it creates.

I reported last year, on how exciting our first 10 years had been. Now, one year into our second decade, that excitement continues with our second site just around the corner.

It is encouraging to see the community supporting their local branch which offers face to face banking and a full suite of products and services. We offer the full banking experience that is competitive in price and superior in service.

As at 30 June 2012 we now service in excess of 4,352 accounts and boast a book balance of $161 million.

Across the country, the **Community Bank®** model under which all **Community Bank®** branches operate has now expanded to 300 branches and has contributed in excess of $80 million back into communities right around Australia, $60 million of which has been generated in just the past five years.

We could be forgiven for being satisfied with what's been achieved in the past 12 months and indeed since opening back in 2001. The challenge for our company moving forward is to recognise the true potential of our Kew East **Community Bank®** Branch and of the partnerships that we've built and are building. The results I have already mentioned are great, however the true results are written on the faces of the people receiving the much needed support that your **Community Bank®** branch provides. The message is simple… "The more we grow the more support our community receives".

I would like to thank the customers, shareholders and the Board for their ongoing support and especially my staff who offer our customers professional and friendly service. Without their contribution, this branch could not have grown and become as successful as it is.

George Prodromidis
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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
Eric Thomas Appointed 3 May 2001 Chair of Audit and Governance Committee	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, past president and member of Kew Community Festival Committee
Allen Borella Appointed 22 March 2001 Chair of Personnel	A Grade Mechanic	Runs own automotive business
Kenneth Franks Appointed 22 March 2001 Chair of Community Engagement Committee	Land Surveyor	Property investor, past chair of Harp Village Business Association
Mark Heffernan Appointed 2 June 2008 Treasurer from 7 July 2008 Chair of Finance Committee	CPA	Certified Practising Accountant
Ross McDermott Appointed 10 March 2010 Company Secretary from 4 September 2010	B Com CA	Chartered Accountant, Tax Agent, Company Liquidator
Paula Davey Appointed 28 April 2010 Chair of Business Development Committee		Former local councillor, extensive connections with community organisations, consultant and facilitator
Mina Sirianni Appointed 22 August 2012	Bachelor of Arts	Semi-retired, runs a management consulting business.

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

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

Directors' report (continued)

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

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

Operating results

The profit after income tax expense for the company for the financial year was $186,841 (2011: $146,900).

Financial position

The net assets of the company have increased from $896,018 from June 30, 2011 to $1,005,657 in 2012. The increase is largely due to improved operating performance of the company.

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$**
Final dividends proposed:	3	43,426
Dividends paid in the year:		
- Interim for the year	6	28,951
- As recommended in the prior year report	8	38,601
- As recommended in the prior year report *	2	9,650

* The special dividend was made in celebration of ten years in operation.

Significant changes in the state of affairs

A bonus issue of 2 shares for every 1 share held was paid to all shareholders on 15 May 2012.

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

The company will continue its policy of providing banking services to the community. A prospectus is to be issued in relation to the capital raising required for costs associated with the opening of a new branch at Kew expected to be opened in 2012/13 financial year.

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of 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.

Remuneration report

Paula Davey, a Director of the company has been contracted by the company to provide administrative services to the Board. For the year ending 30 June 2012 fees paid to Paula Davey were $27,475 (2011: $29,405).

Director remuneration for the year ended 30 June 2012

	Primary benefits fees & superannuation	
	2012 $	2011 $
Eric Thomas	4,444	3,429
Rod Albury	13,333	13,428
Allen Borella	-	-
Kenneth Franks	4,444	1,429
Mark Heffernan	4,444	3,429
Ross McDermott	4,444	3,429
Paula Davey	4,444	1,429
Mina Sirianni (appointed 22 August 2012)	-	-

* Allen Borella declined to accept Director remuneration in both financial years.

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.

Branch Manager remuneration

The Branch Manager was paid within the range of $100,000 - $150,000 for the financial year ended 30 June 2012 (2011: $100,000 - $150,000).

Indemnifying Officers or Auditor

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.

Corporate governance

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

(a) The establishment of an audit & governance committee. Members of the audit & governance committee are Eric Thomas, Ken Franks 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.

Directors' meetings

The number of Directors' meetings held and attended:

Director	Board	Personnel	Community Engagement	Business Development	Audit & Governance	Kew branch Steering Committee	Finance
Eric Thomas	14 (14)	N/A	N/A	5 (6)	7 (7)	N/A	N/A
Rod Albury	14 (14)	1 N/A	3 (3)	6 (6)	1 N/A	11 (19)	2 (2)
Allen Borella	14 (14)	6 (6)	3 (3)	5 (6)	N/A	15 (19)	N/A
Kenneth Franks	13 (14)	N/A	3 (3)	N/A	6 (7)	11 (19)	N/A
Mark Heffernan	14 (14)	6 (6)	N/A	N/A	4 N/A	N/A	2 (2)
Ross McDermott	13 (14)	6 (6)	N/A	N/A	7 (7)	N/A	N/A
Paula Davey	14 (14)	N/A	3 (3)	6 (6)	N/A	7 (19)	N/A
Mina Sirianni	N/A (2)	N/A	N/A	N/A	N/A	N/A	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. A number followed by N/A indicates attendance at the meeting as a visitor.
∆ Manager, George Prodromidis was a non voting attendee at Business Development and Finance Committee meetings throughout the year.

Company Secretary

Ross McDermott has been the Company Secretary of Kew East Financial Services Ltd since 4 September 2010. Refer above for Ross's qualifications and experience.

Non audit services

The Directors in accordance with advice from the audit & goverance committee, are satisfied that the provision of non audit services 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 in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit & governance committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Directors’ report (continued)

Auditor independence declaration

The Auditor’s independence declaration for the year ended 30 June 2012 has been received and can be found on page 14 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Kew on 30 August 2012.

Rod Albury
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Kew East Financial Services Limited
661A High Street
Kew East, Victoria, 3102

To the Directors of Kew East Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has 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 contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Philip Delahunty
Partner
Bendigo
Dated at Bendigo, 30 August 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Philip Delahunty, Cara Hall, Kathie Teasdale, Brett Andrews, David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,340,020	1,315,548
Employee benefits expense	3	(462,030)	(403,745)
Depreciation and amortisation expense	3	(24,330)	(25,763)
Other expenses	3	(359,021)	(363,488)
Operating profit before charitable donations & sponsorships		**494,639**	**522,552**
Charitable donations and sponsorship		(227,183)	(304,078)
Profit before income tax expense		**267,456**	**218,474**
Income tax expense	4	80,615	71,574
Net profit for the year		**186,841**	**146,900**
Other comprehensive income		-	-
Total comprehensive income for the year		**186,841**	**146,900**
Earnings per share (cents per share)			
- basic for profit for the year	22	12.91	30.44
- diluted for profit for the year	22	12.91	30.44

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	893,733	816,946
Receivables	7	144,785	116,229
Investments	8	13,195	12,592
Total current assets		**1,051,713**	**945,767**
Non-current assets			
Property, plant and equipment	9	76,138	89,086
Deferred tax assets	4	32,966	28,449
Intangible assets	10	44,167	4,167
Total non-current assets		**153,271**	**121,702**
Total assets		**1,204,984**	**1,067,469**
Liabilities			
Current liabilities			
Current tax payable	4	37,165	32,515
Payables	11	67,571	56,060
Provisions	12	94,591	81,626
Total current liabilities		**199,327**	**170,201**
Non-current liabilities			
Deferred tax liability	4	-	1,250
Total non-current liabilities		**-**	**1,250**
Total liabilities		**199,327**	**171,451**
Net assets		**1,005,657**	**896,018**
Equity			
Issued capital	13	482,510	482,510
Retained earnings	14	523,147	413,508
Total equity		**1,005,657**	**896,018**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,416,004	1,414,059
Cash payments in the course of operations		(1,153,100)	(1,166,449)
Interest received		24,200	31,156
Income tax paid		(81,734)	(51,050)
Net cash flows used in operating activities	**15b**	**205,370**	**227,716**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,381)	(12,482)
Purchase of intangible assets		(50,000)	-
Net cash flows used in investing activities		**(51,381)**	**(12,482)**
Cash flows from financing activities			
Dividends paid		(77,202)	(67,551)
Net cash flows used in financing activities		**(77,202)**	**(67,551)**
Net increase in cash held		**76,787**	**147,683**
Cash and cash equivalents at start of year		816,946	669,263
Cash and cash equivalents at end of year	**15a**	**893,733**	**816,946**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		482,510	482,510
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**482,510**	**482,510**
Retained earnings			
Balance at start of year		413,508	334,159
Net profit for the year		186,841	146,900
Dividends paid	21	(77,202)	(67,551)
Balance at end of year		**523,147**	**413,508**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Kew East Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 30 August 2012.

(b) 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.

(c) 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%.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

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.

(d) Impairment 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.

(e) 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.

(f) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

(n) 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.

(o) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	1,293,435	1,279,756
	1,293,435	**1,279,756**
Other revenue		
- interest received	45,982	34,616
- other revenue	603	1,176
	46,585	**35,792**
	1,340,020	**1,315,548**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	392,319	343,205
- superannuation costs	33,589	31,873
- workers' compensation costs	1,099	1,057
- other costs	35,023	27,610
	462,030	**403,745**
Depreciation of non-current assets:		
- fixtures and fittings	10,619	10,533
- office furniture and equipment	3,711	5,230
Amortisation of non-current assets:		
- intangible assets	10,000	10,000
	24,330	**25,763**

	2012 $	2011 $
Note 3. Expenses (continued)		
Other expenses:		
- Accounting fees	34,882	38,016
- IT costs	22,849	23,567
- Marketing	30,659	44,124
- Occupancy costs	127,549	115,517
- Insurance	14,981	17,529
- Other expenses	128,101	124,735
	359,021	**363,488**
Finance costs:		
Bad debts	313	38

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2012 $	2011 $
Prima facie tax on profit before income tax at 30%	80,237	65,542
Add / (less) tax effect of:		
- Non-deductible expenses	378	6,032
Current income tax expense	**80,615**	**71,574**
Income tax expense	**80,615**	**71,574**
Tax liabilities		
Current tax payable	**37,165**	**32,515**
Deferred tax liability	**-**	**1,250**
Deferred tax assets		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.	**32,966**	**28,449**

Note 5. Auditors’ remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	4,161	3,900
- Share registry and printing services	6,767	4,622
	10,928	**8,522**

	2012 $	2011 $

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**893,733**	**816,946**

The effective interest rate on short term bank deposits was 5% (2011 - 4%)

Note 7. Receivables

	2012 $	2011 $
Trade debtors	106,521	99,822
Other debtors	38,264	16,407
	144,785	**116,229**

Note 8. Investments

	2012 $	2011 $
Units in managed funds - at cost	15,000	15,000
Less impairment in value	(1,805)	(2,408)
	13,195	**12,592**

Note 9. Property, plant and equipment

	2012 $	2011 $
Plant and equipment		
At cost	-	139,720
Less accumulated depreciation	-	(139,720)
	-	**-**
Office furniture & equipment		
At cost	43,102	41,721
Less accumulated depreciation	(34,487)	(30,777)
	8,615	**10,944**
Fixtures & fittings		
At cost	134,512	134,512
Less accumulated depreciation	(66,989)	(56,370)
	67,523	**78,142**
Total written down amount	**76,138**	**89,086**

	2012 $	2011 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2012 $	2011 $
Office furniture & equipment		
Carrying amount at beginning of year	10,944	10,363
Additions	1,382	5,811
Disposals	-	-
Depreciation expense	(3,711)	(5,230)
Carrying amount at end of year	**8,615**	**10,944**
Fixtures & fittings		
Carrying amount at beginning of year	78,142	82,004
Additions	-	6,671
Disposals	-	-
Depreciation expense	(10,619)	(10,533)
Carrying amount at end of year	**67,523**	**78,142**

Note 10. Intangible assets

Franchise Fee

	2012 $	2011 $
At cost	50,000	50,000
Less accumulated amortisation	(5,833)	(45,833)
	44,167	**4,167**

Note 11. Payables

	2012 $	2011 $
Trade creditors	67,571	56,060
	67,571	**56,060**

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**94,591**	**81,626**
Movement in employee benefits		
Opening balance	81,626	72,213
Additional provisions recognised	19,525	31,057
Amounts utilised during the year	(6,560)	(21,644)
Closing balance	**94,591**	**81,626**

	2012 $	2011 $

Note 13. Share capital

1,447,530 (2011: 482,510) ordinary shares fully paid	482,510	482,510
Movement in ordinary shares		
Balance at beginning of year	482,510	482,510
Bonus issue of shares 2:1	965,020	-
Balance at end of financial year	**1,447,530**	**482,510**

During the year shareholders received a 2 for 1 bonus issue of shares taking the total shares issued from 482,510 to 1,447,530.

Note 14. Retained earnings

Balance at the beginning of the financial year	413,508	334,159
Profit after income tax	186,841	146,900
Dividends paid during the year	(77,202)	(67,551)
Balance at the end of the financial year	**523,147**	**413,508**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	893,733	816,946
	893,733	**816,946**

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

Profit after income tax	186,841	146,900
Non cash items		
- Depreciation	14,330	15,763
- Amortisation	10,000	10,000
- Impairment / (gain in value) of investment	(603)	(1,176)
Changes in assets and liabilities		
- (Increase) decrease in receivables	(28,555)	2,867
- (Increase) decrease in deferred tax asset	(4,519)	(4,239)
- Increase (decrease) in current tax payable	4,650	27,764
- Increase (decrease) in deferred tax liability	(1,250)	(3,000)
- Increase (decrease) in payables	11,511	23,424
- Increase (decrease) in provisions	12,965	9,413
Net cash flows from/(used in) operating activities	**205,370**	**227,716**

Note 16. Director and related party disclosures

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

Eric Thomas
Rod Albury
Allen Borella
Kenneth Franks
Mark Heffernan
Ross McDermott
Paula Davey
Mina Sirianni (appointed 22 August 2012)

Paula Davey, a Director of the company has been contracted by the company to provide administrative services to the Board. For the year ending 30 June 2012 fees paid to Paula Davey were $27,475 (2011: $29,405).

Director Remuneration for the year ended 30 June 2012	**2012 $**	**2011 $**
Eric Thomas	4,444	3,429
Rod Albury	13,333	13,428
Allen Borella	-	-
Kenneth Franks	4,444	1,429
Mark Heffernan	4,444	3,429
Ross McDermott	4,444	3,429
Paula Davey	4,444	1,429
Mina Sirianni (appointed 22 August 2012)	-	-

Other than stated above no Director or related entity has entered into a material contract with the company.

Directors' shareholdings	**2012**	**2011**
Eric Thomas	3,003	1,001
Rod Albury	-	-
Allen Borella	1,503	501
Kenneth Franks	13,203	4,301
Mark Heffernan	-	-
Ross McDermott	3,000	1,000
Paula Davey	-	-
Mina Sirianni (appointed 22 August 2012)	-	-

Shares are held directly or via related entities and each share held is fully paid.

Note 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the City of Boroondara. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 20. Corporate information

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

The registered office and principal place of business is: 661A High Street,
Kew East VIC 3102

	2012 $	2011 $
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
(i) Current year interim		
Franked dividends - 6 cents per share (2011: 6 cents per share)	**28,951**	**28,951**
(ii) Previous year final		
Franked dividends - 10 cents per share (2011: 8 cents per share)	**48,250**	**38,600**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 3 cents per share (2011: 10 cents per share)		**43,426**
48,250		

	2012 $	2011 $

Note 21. Dividends paid or provided for on ordinary shares (continued)

(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	280,739	231,837
- Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	37,165	32,515
	317,904	**264,352**

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

Note 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	**186,841**	**146,900**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,447,530**	**482,510**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	893,733	816,946
Receivables	7	144,785	116,229
Investments	8	13,195	12,592
Total financial assets		**1,051,713**	**945,767**

Note 23. Financial risk management (continued)

	Note	2012 $	2011 $
Financial liabilities			
Payables	11	67,571	56,060
Total financial liabilities		**67,571**	**56,060**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Governance Committee which reports regularly to the Board.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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:

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	893,733	816,946
Receivables	144,785	116,229
Investments	13,195	12,592
	1,051,713	**945,767**

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.

None of the assets of the company are past due (2011: 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.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(67,571)	(67,571)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(67,571)**	**(67,571)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	893,733	893,733	–	–
Receivables	144,785	144,785		
Investments	13,195	13,195	–	–
Total anticipated inflows	**1,051,713**	**1,051,713**	**–**	**–**
Net (outflow)/inflow on financial instruments	**984,142**	**984,142**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(56,060)	(56,060)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(56,060)**	**(56,060)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	816,946	816,946	–	–
Receivables	116,229	116,229		
Investments	12,592	12,592	–	–
Total anticipated inflows	**945,767**	**945,767**	**–**	**–**
Net (outflow)/inflow on financial instruments	**889,707**	**889,707**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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.

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

	Weighted ave interest rate	Carrying amount	
		2012 $	2011 $
Fixed rate instruments			
Financial assets	5.6%	750,659	582,972
Financial liabilities		-	-
		750,659	**582,972**
Floating rate instruments			
Financial assets	0.5%	143,074	233,974
Financial liabilities		-	-
		143,074	**233,974**

The following table discloses the impact on net net operation results and equity for each category of financial instrument held by Kew East Financial Services Limited at year end as presented to key management personnel, if changes in the interest rate occur.

	Carrying amount	Interest rate risk			
		-1%		+1%	
2012	$	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	893,733	(894)	(894)	894	894
Receivables	144,785	-	-	-	-
Investments	13,195	-	-	-	-
Financial liabilities					
Payables	(67,571)	-	-	-	-
		(894)	**(894)**	**894**	**894**
2011					
Financial assets					
Cash and cash equivalents	816,946	(817)	(817)	817	817
Receivables	116,229	-	-	-	-
Investments	12,592	-	-	-	-
Financial liabilities					
Payables	(56,060)	-	-	-	-
		(817)	**(817)**	**817**	**817**

The company has no exposure to fluctuations in foreign currency.

Note 23. Financial risk management (continued)

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Kew East Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 6 to 25 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Rod Albury
Director

Signed at Kew on 30 August 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Kew East Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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 Australian Auditing Standards. Those 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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.

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 Limited 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Philip Delahunty
Partner
Bendigo

Date: 30 August 2012

NSX report

Kew East Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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	Number of shares held
1 to 1,000	5	2,103
1,001 to 5,000	142	322,215
5,001 to 10,000	35	222,003
10,001 to 100,000	46	901,209
100,001 and over	0	0
Total shareholders	**228**	**1,447,530**

Equity securities

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 5 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.

Largest shareholders

The following table shows the top shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Adrian Lawler & Karen Lawler	45,000	3.11%
Thomas Leigh Pty Ltd as trustee for The Waring Family Superannuation Fund	45,000	3.11%
Richard Everritt Thorne	45,000	3.11%
Bruce Diggles	33,003	2.28%
Estate of James Michael Hall	30,000	2.07%
Fiona Margaret Cochrane as trustee for AC 381638	30,000	2.07%
Ivory Home Pty Ltd as trustee for The Searle Executive Superannuation Fund	30,000	2.07%
James Raymond Smith as trustee for Avenel Super Fund No 3	30,000	2.07%
Marjorie Irene White	30,000	2.07%
Phillip R Gibbs & Margaret A Gibbs as trustee for P & M Gibbs S/F A/C	30,000	2.07%
Susan Diggles	30,000	2.07%
	363,003	**25.08%**

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 Sinnot & Delahunty
Level 2, 10-16 Forest Street,
Bendigo VIC 3550
Phone: (03) 5443 1177

Company Secretary

Ross McDermott has been been the Company Secretary of Kew East Financial Services Limited for two years. Ross McDermott's qualifications and experience includes Chartered Accountant, Tax Agent, and company Liquidator.

Corporate governance

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

(a) The establishment of an audit & governance committee. Members of the audit committee are Eric Thomas, Ken Franks 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 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2008 $	2009 $	2010 $	2011 $	2012 $
Gross Revenue	973,690	993,601	1,165,614	1,315,548	1,340,020
Net profit before tax	318,022	149,303	211,397	218,474	267,456
Total assets	881,085	855,096	930,519	1,067,469	1,204,984
Total liabilities	180,087	126,787	113,850	171,451	199,327
Total equity	**700,998**	**728,309**	**816,669**	**896,018**	**1,005,657**

Franchisee: Kew East Financial Services Limited
661A High Street, Kew East VIC 3102
Phone: (03) 9859 7699
ABN: 91 096 301 058
www.bendigobank.com.au/kew_east

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Bendigo Bank

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