Kew East Financial Services Limited

ABN 91 096 301 058

ANNUAL REPORT 2013

Kew East **Community Bank**® Branch
Kew **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2013

On 6 February 2013 Kew East Financial Services Ltd in partnership with Bendigo and Adelaide Bank opened a **Community Bank®** branch in Kew Junction opposite Woolworths. It was the culmination of two years of demanding work by the Kew Steering committee, KEFS Board, Manager George Prodromidis, staff and the Bendigo and Adelaide Bank's Community Strengthening team lead by Adam Rimmington. The challenge for the branch to become profitable will take time as evident by the experience at the Kew East **Community Bank®** Branch over its decade of operation.

The Board is pleased to announce a profit of $172,197 ($186,841 – 2012) with a total dividend distribution of 3 cents per share (cps) fully franked for the financial year 2013. The 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
2012/13	-	-	3(f)*	43,426	43,426
Total Paid to date			99cps		$ 506,626

(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
*Bonus issue 2:1 - 15 May 2012

The Board declared a 4 cps fully franked dividend to be paid in early November 2013.

Operating profit before tax and community grants was $384,276 ($494,639 – 2012). For tax purposes and future community grants, $100,000 ($200,000 – 2012) was transferred to Community Enterprise Foundation™, the philanthropic body established by Bendigo and Adelaide Bank to assist the **Community Bank®** network with grants programs. The $100,000 is to be used over three years to provide Defibrillators through a 'Defib for Life' program for local community organisations.

$100 million returned to communities, marking 15 years of operation

Thanks to the support of **Community Bank®** branch customers and shareholders, the Australia-wide network has now returned more than $100 million to support and strengthen local communities.

This enormous achievement came as the **Community Bank®** network celebrated 15 years of operation. The **Community Bank®** concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998. The network has since grown to include 298 branches across Australia.

Chairman's report (continued)

Our **Community Bank®** company has played a key role in these milestones, returning more than $877,056 to our local community with a further $506,626 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations as indicated under community contributions. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Interest rate movements

Our **Community Bank®** company and our partner Bendigo and Adelaide Bank encourage 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.

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

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis.

This means the Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Restoring the Balance update

Funding for all banks is expensive and likely to remain so, there is strong competition for retail deposits, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and its **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent, the Bank much less.

The Bank has conducted a staged approach to restoring this balance, ensuring that the **Community Bank®** model produced reasonable shareholder returns, as any business must. The Bank will continue to review this remuneration model with its partners to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

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)

Community contributions

During the year 16 (17) sponsorship totalling $37,442 ($27,183) was distributed to the following:

Boroondara Rugby Club	Kew Rovers
e.motion21 dance group	Magic Moments Foundation
Kew Bears Football Club	North Balwyn Baseball Club
Kew Cricket Club	Rotary Club of North Balwyn
Kew Croquet Club	Rotary Club of Kew
Kew Festival	Rotary District Conference
Kew Junior Hockey Club	University of the Third Age
Kew Neighbourhood Learning Centre	Zelman Orchestra

After the 2012 Annual General Meeting (AGM), the following 25 (33) community organisations received grants to the value of $153,952 ($156,751).

Andale School	Kew High School	Boroondara General Cemetery
North Balwyn Playcentre Inc	The Melboune Chorus of Sweet Adelines	U3A Deepdene Inc
Kew Neighbourhood Learning Centre Inc	St. Bridget's Primary School	Burke Road Billabong Committee of Management
Kew Toy Library	Bellevue Kindergarten Association Incorporated	Boroondara Preschool Inc
Davis Street Kindergarten	1st North Balwyn Scout Group	Kew Band Inc.
JJ McMahon Memorial Kindergarten	Kew East Primary School	Greythorn Primary School
Deepdene Uniting Korean Community Playgroup	Villa Alba Museum Inc	Rotary club Of North Balwyn
Zelman Memorial Symphony Orchestra Inc	Kew Historical Society	Student Scholarships x 2

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

Progressive community contributions (continued):

Financial year	Community grants $	Community Enterprise Foundation™ $	Sponsorships $	Donations $	Total* $
2010/11	94,357	250,000	54,078		304,078
2011/12	156,751	200,000	27,183		227,183
2012/13	153,952	100,000	37,443		137,443
Total paid to date	**637,809**	**1,058,627**	**239,711**	**6,000**	**1,329,238**

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, 2011,2012
Community Enterprise Foundation™ contributions paid in June 2007, 2008, 2009, 2010, 2011, 2012, 2013
*As reported in the Financial Statements – charitable donations and sponsorships
Community Enterprise Foundation™ balance as at 30/06/2013 - $461,179 ($488,451)

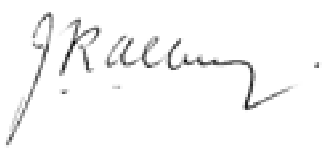
Acknowledgements

The Board was saddened by the passing of John McConnell, a past Chairman and Director of KEFS. John provided sound business and governance advice throughout his time on the Board. Condolences have been expressed to his family.

My thanks to each Board member for their support, contribution and work on company matters and community projects that we partner. I thank Mina Sirianni for her contribution as Director while on the Board and wish her well in the future. A sincere thanks to our Board staff Pam Tremlett for her astute and accurate keeping of the books and to Tanja Blackwell for managing the administration of Board business. Their work contributes significantly to the successful operation of the company. Thanks to our partners from Bendigo and Adelaide Bank particularly the Regional Manager Brad Peel and staff for their advice and support.

The new challenge ahead is to build the Kew business into profitability. The recent appointment of Chris Vouk as Manager is a step in that direction. The Board is appreciative of the work of our Manager George Prodromidis in being able to grow the business and at the same time support the initial opening and operation of the Kew **Community Bank®** Branch. Thanks to our staff for their service to our customers and their capacity to grow the business.

A warm welcome and thanks to our new shareholders who have given the company the opportunity to expand into Kew and to our original shareholders for their confidence in taking this step forward.



Rod Albury
Chair

Manager's report

For year ending 30 June 2013

It has been a very exciting, but also a most challenging year. On 6 February 2013 we opened our new Kew **Community Bank®** Branch, the second site for Kew East Financial Services Limited.

The opening of Kew **Community Bank®** Branch created additional staffing opportunities, while there was also a transfer of banking business from the Kew East **Community Bank®** Branch to Kew by those customers who took up the three-month fee free offer and customers who found the Kew **Community Bank®** Branch more convenient.

Despite an increased competitive environment for retail banking, the combined business has continued to grow reaching a total footings of $182 million (up $22 million for the 12-month period, representing 14% growth).

Kew East **Community Bank®** Branch as at 30 June 2013 had a total footings of $149 million consisting of 4,195 accounts. It needs to be noted that approximately $20.6 million of business was redomiciled to Kew branch prior to its opening.

Kew **Community Bank®** Branch as at 30 June 2013 had a total footings of $33 million consisting of 226 accounts. Overall net growth for the financial year taking away the redomiciles from Kew East **Community Bank®** Branch is $12.4 million representing a 58% growth for just five months of trading.

The above results would not be possible without the contributions of several parties:

- Firstly to our staff who are our key drivers of the business, Marie Briggs, Elie Yacoub, Zeina Yacoub, Jenny Troy, Carly Troop, Carolyn Nguyen and Althea De Kock. Also a special mention to Christopher Vouk who has been appointed Branch Manager to our Kew **Community Bank®** Branch.
- To our Directors who work tirelessly to provide support to me the staff and the business, I am very grateful for this.
- To our partners, staff from Bendigo and Adelaide Bank; Brad Peel, Michelle Mcdonald, Michelle Mason and all their support team, a huge thanks for their efforts and commitment.

The strength of our **Community Bank®** branches is built on the back of our community and in partnerships with the people/businesses of Kew East, Kew and surrounds. I urge you all to spread the word and continue to tell the story because there simply is no other such model like this anywhere in the world. I therefore ask all our staff, Directors, shareholders, customers, community groups and clubs to encourage your friends and families to support our branches. Your continued support of our bank is providing much needed assistance to our community.

George Prodromidis
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching $100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian 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. But in the years since, the **Community Bank®** model has become so much more.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – $102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – $24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – $30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This $100 million goes 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 the 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), tertiary education 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 continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be 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 your community 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.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

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 and other Directorships
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
Paula Davey Appointed 28 April 2010 Chair of Community Engagement Committee		Former local councillor, extensive connections with community organisations, consultant and facilitator
Kenneth Franks Appointed 22 March 2001 Chair of Business Development Committee	Land Surveyor	Property investor, past chair of Harp Village Business Association
Ric Hallgren Appointed 6 August 2013	Master of Science and Bachelor of Commerce	Semi retired, ex owner and General Manager/ Sales Manager of a Professional Services Consulting Firm
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 FCA	Chartered Accountant, Tax Agent, Company Liquidator
Mina Sirianni Appointed 22 August 2012 Resigned 2 May 2013	Bachelor of Arts	Semi-retired, runs a management consulting business.

Directors (continued)

Eric Thomas Appointed 3 May 2001 Chair of Audit and Governance Committee	FCA	Chartered Accountant

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

No Directors have material interests in contracts or proposed contracts with the company.

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 franchised branches of Bendigo and Adelaide Bank Limited.

Review of operations

The profit of the company for the financial year after provision for income tax was $172,197 (2012: $186,841), which is a 7.84% decrease as compared with the previous year.

The net assets of the company have increased to $1,378,443 (2012: $1,005,657). The increase is largely due to the company continuing to perform strongly, generating positive operating results.

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Final dividends proposed:	4	71,693
Dividends paid in the year:		
- As recommended in the prior year report	3	43,426

Significant changes in the state of affairs

A second **Community Bank®** branch at Kew was opened for business on the 6th February, 2013.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

The remuneration policy of Kew East Financial Services limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective.

The Board's policy is to remunerate Directors for time, commitment and responsibilities. There is no relationship between the remuneration policy and the company performance. The policy is developed by the Board and reviewed annually.

Remuneration report (continued)

Remuneration benefits and payments

Other than detailed below, 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.

	Primary benefits fees & superannuation	
Director remuneration for the year ended 30 June 2013	**2013 $**	**2012 $**
Rod Albury	13,333	13,333
Allen Borella	-	-
Paula Davey	4,444	4,444
Kenneth Franks	4,444	4,444
Mark Heffernan	4,444	4,444
Ross McDermott	4,444	4,444
Mina Sirianni Appointed 22 August 2012, Resigned 2 May 2013	-	-
Eric Thomas	4,444	4,444
	35,553	**35,553**

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

Kew East Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package during the 2013 financial year. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. At year end 30 June 2013 there has been no benefits received from the Directors Privileges Package.

Branch Manager remuneration

The Branch Manager was paid within the range of $140,000 - $150,000 plus associated superannuation for the financial year ended 30 June 2013 (2012: $130,000 - $140,000).

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.

Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board	Personnel	Community Engagement	Business Development	Audit and Governance	Finance
Rod Albury	12(12)	4(N/A)	6(7)	6(8)	1(N/A)	2(2)
Allen Borella	10(12)	9(9)	1(2)	7(8)	N/A	N/A
Paula Davey	10(12)	N/A	7(7)	N/A	N/A	N/A
Kenneth Franks	10(12)	1(N/A)	N/A	5(8)	7(7)	N/A
Mark Heffernan	12(12)	8(9)	N/A	N/A	3(N/A)	2(2)
Ross McDermott	12(12)	9(9)	N/A	N/A	7(7)	N/A
Mina Sirianni	8(9)	N/A	3(5)	4(7)	N/A	N/A
Eric Thomas	10(12)	1(N/A)	6(7)	4(5)	7(7)	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.

Likely developments

The company will continue its policy of providing banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

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

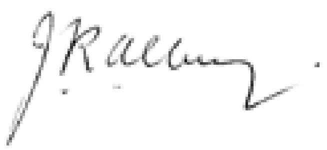
The Directors in accordance with advice from the Audit and Governance Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services 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 and Governance 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 in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 14 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Kew East on 11 September 2013.



Rod Albury
Director

Auditor’s independence declaration

Richmond Sinnott & Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
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11 September 2013

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

Dear Directors

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 2013 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.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

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 profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	1,390,915	1,340,020
Employee benefits expense	3	(581,229)	(462,030)
Depreciation and amortisation expense	3	(38,919)	(24,330)
Other expenses	3	(386,491)	(359,021)
Operating profit before charitable donations & sponsorships		**384,276**	**494,639**
Charitable donations and sponsorships		(137,443)	(227,183)
Profit before income tax expense		**246,833**	**267,456**
Tax expense	4	74,636	80,615
Profit for the year		**172,197**	**186,841**
Other comprehensive income		-	-
Total comprehensive income		**172,197**	**186,841**
Profit attributable to:			
Members of the company		172,197	186,841
Total		**172,197**	**186,841**
Earnings per share (cents per share)			
- basic for profit for the year	21	9.61	12.91
- diluted for profit for the year	21	9.61	12.91

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	1,150,489	893,733
Trade and other receivables	7	122,076	144,785
Investments	8	17,111	13,195
Total current assets		**1,289,676**	**1,051,713**
Non-current assets			
Property, plant and equipment	9	194,124	76,138
Deferred tax asset	4	33,782	32,966
Intangible assets	10	107,500	44,167
Total non-current assets		**335,406**	**153,271**
Total assets		**1,625,082**	**1,204,984**
Liabilities			
Current liabilities			
Trade and other payables	11	53,510	67,571
Current tax payable	4	6,245	37,165
Provisions	12	186,884	94,591
Total current liabilities		**246,639**	**199,327**
Total liabilities		**246,639**	**199,327**
Net assets		**1,378,443**	**1,005,657**
Equity			
Issued capital	13	798,218	482,510
Retained earnings	14	580,225	523,147
Total equity		**1,378,443**	**1,005,657**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2013

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**482,510**	**413,508**	**896,018**
Total comprehensive income for the year		**-**	**186,841**	**186,841**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	(77,202)	(77,202)
Balance at 30 June 2012		**482,510**	**523,147**	**1,005,657**
Balance at 1 July 2012		**482,510**	**523,147**	**1,005,657**
Total comprehensive income for the year		**-**	**172,197**	**172,197**
Transactions with owners, in their capacity as owners				
Shares issued during the year		344,797	-	344,797
Costs of issuing shares		(29,089)	-	(29,089)
Dividends paid or provided	22	-	(115,119)	(115,119)
Balance at 30 June 2013		**798,218**	**580,225**	**1,378,443**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		1,482,208	1,416,004
Payments to suppliers and employees		(1,233,129)	(1,153,100)
Income tax paid		(106,372)	(81,734)
Interest received		62,004	24,200
Net cash flows from operating activities	**15b**	**204,711**	**205,370**
Cash flows from investing activities			
Payments for property, plant and equipment		(140,237)	(1,381)
Purchase of intangible assets		(80,000)	(50,000)
Net cash flows used in investing activities		**(220,237)**	**(51,381)**
Cash flows from financing activities			
Proceeds from issues of shares		344,797	-
Payment for share issue costs		(29,089)	-
Dividends paid		(43,426)	(77,202)
Net cash flows from/(used in) financing activities		**272,282**	**(77,202)**
Net increase in cash held		**256,756**	**76,787**
Cash and cash equivalents at start of year		893,733	816,946
Cash and cash equivalents at end of year	**15a**	**1,150,489**	**893,733**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Kew East Financial Services Limited.

Kew East Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 11 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise. The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(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.

Note 1. Summary of significant accounting policies (continued)

(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 as follows:

Class of asset	Depreciation rate
Plant & equipment	5% - 33%
Office furniture & equipment	5% - 33%
Fixtures & fittings	5% - 33%

Impairment

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

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

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

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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (continued)

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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 expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

Note 1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and 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 or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

Note 1. Summary of significant accounting policies (continued)

(o) Comparative figures

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

(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:

Estimation of useful lives of assets

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.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

Initial recognition and measurement

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.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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 to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 2. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	1,348,953	1,293,435
	1,348,953	**1,293,435**
Other revenue		
- interest received	38,046	45,982
- other revenue	3,916	603
	41,962	**46,585**
Total revenue	**1,390,915**	**1,340,020**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	474,106	392,319
- superannuation costs	44,171	33,589
- workers compensation	1,482	1,099
- other costs	61,470	35,023
	581,229	**462,030**
Depreciation of non-current assets:		
- fixtures and fittings	13,126	10,619
- office furniture and equipment	9,126	3,711
	22,252	**14,330**
Amortisation of non-current assets:		
- intangible assets	16,667	10,000
	38,919	**24,330**
Other expenses:		
- Accounting fees	39,066	34,882
- IT costs	31,849	22,849
- Marketing	21,334	30,659
- Occupancy costs	136,091	127,549
- Insurance	17,114	14,981
- Other expenses	141,037	128,101
	386,492	**359,021**
Bad debts	**61**	**313**

Note 4. 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 on profit before income tax at 30% (2012: 30%)	74,050	80,237
Add tax effect of:		
- Prior year under provision for tax	330	-
- Non-deductible expenses	2,000	378
- Other deductible expenses	(1,744)	-
Current income tax expense	**74,636**	**80,615**
Income tax attributable to the entity	**74,636**	**80,615**

Notes to the financial statements (continued)

	2013 $	2012 $
Note 4. Tax expense (continued)		
The applicable weighted average effective tax rate is	30.24%	30.14%
Tax liabilities		
Current tax payable	**6,245**	**37,165**
Deferred tax asset		
Future income tax benefits arising from timing differences	**33,782**	**32,966**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	4,700	4,161
- Share registry services	7,473	6,767
	12,173	**10,928**

Note 6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	**1,150,489**	**893,733**

Note 7. Trade and other receivables

Current

	2013 $	2012 $
Trade debtors	107,770	106,521
Other assets	14,306	38,264
	122,076	**144,785**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or company of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans" (see Note 11).

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 7. Trade and other receivables (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	107,770	-	-	-	-	107,770
Other receivables	14,306	-	-	-	-	14,306
Total	**122,076**	**-**	**-**	**-**	**-**	**122,076**
2012						
Trade receivables	106,521	-	-	-	-	106,521
Other receivables	38,264	-	-	-	-	38,264
Total	**144,785**	**-**	**-**	**-**	**-**	**144,785**

	2013 $	2012 $
Note 8. Investments		
Units in managed funds - at cost	15,000	15,000
Gain/(impairment) in value	2,111	(1,805)
	17,111	**13,195**
Note 9. Property, plant and equipment		
Office furniture & equipment		
At cost	65,502	43,102
Less accumulated depreciation	(43,613)	(34,487)
	21,889	**8,615**
Fixtures & fittings		
At cost	252,350	134,512
Less accumulated depreciation	(80,115)	(66,989)
	172,235	**67,523**
Total written down amount	**194,124**	**76,138**

	2013 $	2012 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2013 $	2012 $
Office furniture & equipment		
Balance at the beginning of the reporting period	8,615	10,944
Additions	22,400	1,382
Disposals	-	-
Depreciation expense	(9,126)	(3,711)
Balance at the end of the reporting period	**21,889**	**8,615**
Fixtures & fittings		
Balance at the beginning of the reporting period	67,523	78,142
Additions	117,838	-
Disposals	-	-
Depreciation expense	(13,126)	(10,619)
Balance at the end of the reporting period	**172,235**	**67,523**

Note 10. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	70,000	60,000
Less accumulated amortisation	(54,000)	(51,166)
	16,000	**8,834**
Establishment/renewal processing fee		
At cost	110,000	40,000
Less accumulated amortisation	(18,500)	(4,667)
	91,500	**35,333**
Total written down amount	**107,500**	**44,167**
Movements in carrying amounts		
Franchise & establishment/renewal processing fee		
Balance at the beginning of the reporting period	44,167	50,000
Additions	80,000	-
Disposals	-	-
Amortisation expense	(16,667)	(5,833)
Balance at the end of the reporting period	**107,500**	**44,167**

	2013 $	2012 $

Note 11. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
Trade creditors	53,510	67,571
	53,510	**67,571**

Note 12. Provisions

	2013 $	2012 $
Employee benefits	115,191	94,591
Dividends	71,693	-
	186,884	**94,591**
Movement in employee benefits		
Opening balance	94,591	81,626
Additional provisions recognised	53,098	19,525
Amounts utilised during the year	(32,498)	(6,560)
Closing balance	**115,191**	**94,591**
Current		
Annual Leave	62,445	50,136
Long-service leave	52,746	44,455
Dividends	71,693	-
Total provisions	**186,884**	**94,591**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

Note 13. Share capital

	2013 $	2012 $
Kew East		
1,447,530 Ordinary Shares fully paid of $1 each	482,510	482,510
A bonus share issue on a 2:1 basis (965,020 shares) was issued to all existing shareholders on 15 May 2012.		
Kew		
344,797 Ordinary Shares fully paid of $1 each	344,797	-
Less: Equity raising costs	(29,089)	-
	315,708	**-**
	798,218	**482,510**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,447,530	482,510
Bonus share issue of 2:1	-	965,020
Shares issued pursuant to Kew prospectus	344,797	-
At the end of the reporting period	**1,792,327**	**1,447,530**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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%.

Note 13. Share capital (continued)

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $
Note 14. Retained earnings		
Balance at the beginning of the reporting period	523,147	413,508
Dividends paid and payable	(115,119)	(77,202)
Profit after income tax	172,197	186,841
Balance at the end of the reporting period	**580,225**	**523,147**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows		
As per the statement of financial position	**1,150,489**	**893,733**
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	172,197	186,841
Non cash items		
- Depreciation	22,252	14,330
- Amortisation	16,666	10,000
- Impairment/(gain in value) of investment	(3,433)	(603)
Changes in assets and liabilities		
- (Increase) decrease in receivables	22,226	(28,555)
- (Increase) decrease in deferred tax asset	(816)	(4,519)
- Increase (decrease) in payables	(14,061)	11,511
- Increase (decrease) in provisions	20,600	12,965
- Increase (decrease) in current tax payable	(30,920)	4,650
- (Increase) decrease in deferred tax liability	-	(1,250)
Net cash flows from operating activities	**204,711**	**205,370**

Note 16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. Director fees paid are outlined below.

Paula Davey, a Director of the company was contracted by the company to provide administrative services to the Board for the year ending 30 June 2012. The fees paid to Paula Davey were $nil in 2013 (2012: $27,475).

	Primary benefits fees & superannuation	
Director remuneration for the year ended 30 June 2013	**2013 $**	**2012 $**
Rod Albury	13,333	13,333
Allen Borella	-	-
Paula Davey	4,444	4,444
Kenneth Franks	4,444	4,444
Mark Heffernan	4,444	4,444
Ross McDermott	4,444	4,444
Mina Sirianni Appointed 22 August 2012, Resigned 2 May 2013	-	-
Eric Thomas	4,444	4,444
	35,553	**35,553**

Manager remuneration

The Branch Manager was paid within the range of $140,000 - $150,000 plus associated superannuation for the financial year ended 30 June 2013 (2012: $130,000 - $140,000).

Kew East Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package during the 2013 financial year. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $nil for the year ended 30 June 2013.

Note 16. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Kew East Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Rod Albury	10,000	-
Allen Borella	12,503	1,503
Paula Davey	2,500	-
Kenneth Franks	15,000	13,203
Mark Heffernan	4,000	-
Ross McDermott	6,000	3,000
Mina Sirianni Appointed 22 August 2012, Resigned 2 May 2013	-	-
Eric Thomas	3,003	3,003
Manager's shareholdings		
George Prodromidis	3,000	3,000

Movement in key management personnel shareholdings during the year are outlined above. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

There have been no 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 Limited who account for 100% of the revenue (2012: 100%).

Note 20. Company details

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 & principle place of business is:
661A High Street,
Kew East, Victoria, 3102

	2013 $	2012 $

Note 21. 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:

	2013 $	2012 $
Profit after income tax expense	**172,197**	**186,841**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,792,327**	**1,447,530**

Note 22. Dividends paid or provided for on ordinary shares

	2013 $	2012 $
(a) Dividends paid for during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2012: 6 cents per share)	**-**	**28,951**
(ii) Previous year final		
Franked dividends - 3 cents per share (2012: 10 cents per share)	**43,426**	**48,250**
(b) Dividends proposed and recognised as a liability		
Franked dividends - 4 cents per share (2012: nil cents per share)	**71,693**	**-**
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2012: 3 cents per share)	**-**	**43,426**

	2013 $	2012 $

Note 22. Dividends paid or provided for on ordinary shares (continued)

(d) Franking account balance

	2013 $	2012 $
Franking credits available for subsequent reporting periods are:		
Franking account balance as at the end of the financial year	368,498	280,739
Franking credits that will arise from payment of income tax payable as at the end of the financial year	6,245	37,165
Franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(30,726)	-
Franking credits available for future financial reporting periods:	**344,017**	**317,904**
Franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	(18,611)
Net franking credits available	**344,017**	**299,293**

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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	1,150,489	893,733
Trade and other receivables	7	122,076	144,785
Investments	8	17,111	13,195
Total financial assets		**1,289,676**	**1,051,713**
Financial liabilities			
Trade and other payables	11	53,510	67,571
Total financial liabilities		**53,510**	**67,571**

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. The Audit and Governance Committee is assisted in the area of risk management by an internal audit function.

Note 23. Financial risk management (continued)

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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan. The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**1,150,489**	**893,733**

(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:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	11	53,510	53,510	–	–
Total expected outflows		**53,510**	**53,510**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	1,150,489	1,150,489	–	–
Trade and other receivables	7	122,076	122,076		
Investments	8	17,111	17,111	–	–
Total anticipated inflows		**1,289,676**	**1,289,676**	**–**	**–**
Net (outflow)/inflow financial instruments		**1,236,166**	**1,236,166**	**–**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	11	67,571	67,571	–	–
Total expected outflows		**67,571**	**67,571**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	893,733	893,733	–	–
Trade and other receivables	7	144,785	144,785		
Investments	8	13,195	13,195	–	–
Total anticipated inflows		**1,051,713**	**1,051,713**	**–**	**–**
Net (outflow)/inflow financial instruments		**984,142**	**984,142**	**–**	**–**

Note 23. Financial risk management (continued)

(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. These areas may also be affected by changes to commissions payable under the Franchise Agreement with Bendigo and Adelaide Bank Limited. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	**2013** %	**2012** %
Cash and cash equivalents (net of bank overdrafts)	3.35%	4.74%
Short-term investments:		
- held-to-maturity investments	3.31%	3.98%
Loans receivable	-%	-%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	**Equity** $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	11,505	11,505
	11,505	**11,505**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	8,937	8,937
	8,937	**8,937**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised previously. In February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced. The Board reviews such changes closely and monitors the impact on revenue as part of its budgeting procedures.

The company has no exposure to fluctuations in foreign currency.

(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.

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 15 to 40 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 2013 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.

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

Eric A Thomas

Eric Thomas
Director

Signed at Kew East on 11 September 2013.

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
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Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S 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 2013, the statement of profit or loss and other 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 at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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.

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

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

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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Kew East Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation 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 Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 11 September 2013

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	36	24,103
1,001 to 5,000	167	444,212
5,001 to 10,000	40	287,506
10,001 to 100,000	51	1,036,506
100,001 and over	0	0
Total shareholders	**294**	**1,792,327**

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 shareholder

The following table shows the top shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Thomas Leigh Pty Ltd as trustee for	50,000	2.79%
Adrian Lawler & Karen Lawler	45,000	2.51%
Marjorie Irene White	35,000	1.95%
Richard Everritt Thorne	33,003	1.84%
Longbourne Pty Ltd	32,000	1.79%
Bruce Diggles	30,000	1.67%
Charles Raymond & Judith Ann Searle	30,000	1.67%
Estate of James Michael Hall	30,000	1.67%

Largest shareholder (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Fiona Margaret Cochrane as trustee for	30,000	1.67%
James Raymond Smith as trustee for	30,000	1.67%
Phillip R Gibbs & Margaret A Gibbs as trustee for	30,000	1.67%
Susan Diggles	30,000	1.67%
Amanda Royale Watson	26,000	1.45%
Ilias Vogdanos	25,000	1.39%
Mary Elizabeth Xipell	25,000	1.39%
Geoffrey Bruce Thomas & Joan Erica Thomas	24,003	1.34%
Barrie Charles Mayall & Bouthaina Mayall as trustee for	20,000	1.12%
Jeno Halasz	20,000	1.12%
Lloyd Holyoak Nominees Pty Ltd	20,000	1.12%
Neil V Watson as trustee for	20,000	1.12%
Sonia Jill O'Brien	20,000	1.12%
	605,006	**41.80%**

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:

AFS & Associates
61-65 Bull Street
Bendigo VIC 3550
Phone: (03) 4408 5329

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

	2009 $	2010 $	2011 $	2012 $	2013 $
Gross revenue	993,601	1,165,614	1,315,548	1,340,020	1,390,915
Net profit before tax	149,303	211,397	218,474	267,456	246,833
Total assets	855,096	930,519	1,067,469	1,204,984	1,625,082
Total liabilities	126,787	113,850	171,451	199,327	246,639
Total equity	728,309	816,669	896,018	1,005,657	1,378,443

Kew East **Community Bank**® Branch
661A High Street, Kew East VIC 3102
Phone: (03) 9859 7699   Fax: (03) 9589 6944

Kew **Community Bank**® Branch
181-183A High Street, Kew VIC 3101
Phone: (03) 9852 9322   Fax: (03) 9852 9211

Franchisee: Kew East Financial Services Limited
661A High Street, Kew East VIC 3102
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