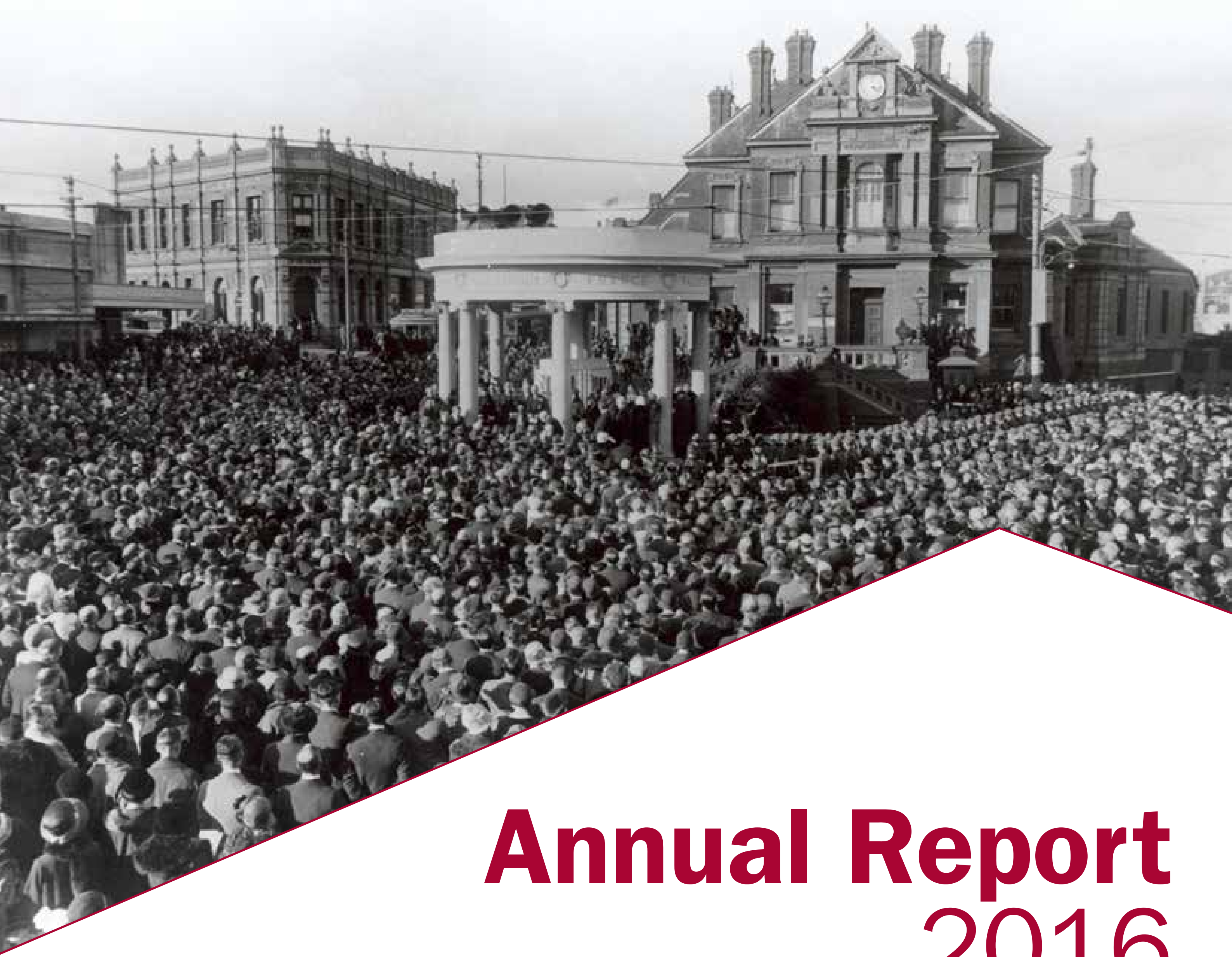


Annual Report
2016

Kew East Financial Services Limited

ABN 91 096 301 058

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

Contents

Chairman's report

For year ending 30 June 2016

Dear Shareholder,

In July this year the Kew **Community Bank**® Branch and Kew East **Community Bank**® Branch will come together under one roof at our new premises, 643 High Street, Kew East.

The decision to unite the two branches took into consideration their proximity, the interests of our shareholders and the future sustainability of the operating company Kew East Financial Services Limited. This move is an important step towards strengthening the prosperity of our community.

Through this exciting time, our dedicated team has continued to provide the same high standard of customer service and product offerings our stakeholders' value and expect. Marie Briggs has continued in her role as Branch Manager alongside Vikki Townsend, our Senior Relationship Manager. We have also retained all other staff in their existing roles. I commend our loyal team who continue to show their commitment to our company, with ongoing diligence and professionalism.

The Board also has seen some changes, most notably the resignation of Ric Hallgren. I would like to thank Ric for his significant contribution over the last three years. With Board succession planning on the agenda, we are currently interviewing prospective new Board members.

Our commitment to supporting our customers and the local community remains unchanged as we look to build on the valued partnerships established in our company's 15 years in business. Thanks to your support, Kew East Financial Services Limited has returned more than $1.42 million to the local community. Details are presented in the Community Contributions tables below.

In March this year we launched our community sub-brand 'Kew For You', in an effort to promote and celebrate the local businesses and community groups in Kew and Kew East. Kew For You allows us to actively engage businesses and groups, develop strong relationships and collect valuable community data and analytics. Through the 'Kew For You' initiative we have also partnered with several local businesses to run successful Bendigo Bank brand awareness campaigns. To learn more about 'Kew For You' please visit www.kewforyou.com.au

Thank you again for your ongoing support. Our dedicated team looks forward to working toward the continued growth of Kew and Kew East **Community Bank**® Branch.

Community Contributions in 2015/16

11 sponsorships given worth $32,048.

East Kew United Soccer Club	Kew School of Dance
Hawthorn Headspace	Rotary Club of North Balwyn
Kew Football Club Inc	St Anne's Basketball Club
Kew Little Athletics Centre	Templestowe United Football Club
Kew Neighbourhood Learning Centre	Zelman Symphony Orchestra
Kew Rovers Football Club	

Chairman's report (continued)

Community Grants worth $16,745 were given.

Five community organisations received grants worth $13,188.

Two community organisations received defibrillators worth $3,557.

1st North Balwyn Scouts	Boroondara Pre School
Kew High School Magic Moments	Magic Moments
North Balwyn Rotary Club	U3A Deepdene

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
2012/13	153,952	100,000	37,443		137,443
2013/14	170,006		28,364		28,364
2014/15	64,499		33,075		33,075
2015/16	16,745		32,048		32,048
Total paid to date	**889,059**	**1,058,627**	**333,198**	**6,000**	**1,422,725**

Donation by Bendigo and Adelaide Bank Limited 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, 2013, 2014, 2015, 2016.

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 June 2016 - $214,143.70.

Yours faithfully,

Allen Borella
Chairman

Managers' report

For year ending 30 June 2016

Welcome to the Kew and Kew East **Community Bank**® Branches Managers' report for 2016.

Our "point of difference" of returning 80% of our profits back into our community continues to set us apart from all other financial institutions.

Since it opened 15 years ago Kew East Financial Services Limited (KEFSL) has returned in excess of $1.42 million into the community. This has been possible with the loyal support of our customers and shareholders.

Both branches have seen stable staff over the past year and minimal disruption which has been echoed in the results for the year.

However the 2015/16 financial year has presented continued challenges with low rates and strong competition from our competitors.

The combined footing of Kew and Kew East **Community Bank**® branches was $208.75 million as follows:

Kew **Community Bank**® Branch footings as at 30 June 2016 was $65.51 million, made up of $16.61 million in lending and $48.90 million in deposits.

Kew East **Community Bank**® Branch footings as at 30 June 2016 was $143.24 million, made up of $38.28 million in lending and $104.96 million in deposits.

We are excited with the developments to come in mid July 2016 with the consolidation of Kew & Kew East **Community Bank**® Branch to its new, modern, purpose built premises at 643 High St, Kew East. This is the culmination of hard work by many over the past three years.

The new premises is a valuable asset owned by the shareholders of KEFSL.

All KEFSL staff are to be relocated to the new branch which will bring a wealth of experience together under one roof. This will open up the opportunity for us to have the ability to be able to service our clients outside the traditional banking premises.

We will continue to develop strong relationships within our community. This is a unique model of the bank which enables us to inject funds into our community through partnerships.

Again we have had continued support from our dedicated Board of Directors and staff who we would like to thank together with our shareholders.

Marie Briggs

Vikki Townsend

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Kew East Financial Services Limited during or since the end of the financial year up to the date of this report:

Allen Borella

Experience and expertise	Runs Own automotive business, A Grade Mechanic.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Chairman of the Board

Paula Davey

Experience and expertise	Former Local Councillor, extensive connections with community organisations, consultant and facilitator.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Deputy Chairman of the Board, Chairman of the Community Engagement Committee

Mark Heffernan

Experience and expertise	Certified Practising Accountant.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Chair of the Finance Committee, Treasurer, Member of Personnel

Committee

Eric Thomas

Experience and expertise	Chartered Accountant.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Chair of Audit and Governance Committee

Directors (continued)

Ric Hallgren (resigned 25 July 2016)

Experience and expertise	Semi retired, ex owner and general manager/sales manager of a professional services consulting firm.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Chair of Personnel Committee

Directors (continued)

Phillip Davies

Experience and expertise	CEO General Counsel, non-executive Director in legal, property, health, financial and education services. LLM (Monash), GAICD.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Company Secretary, Member of the Audit and Governance Committee

Diana Nelson

Experience and expertise	Runs a boutique Project Management Consultancy, Ex President JJ McMahon Memorial Kindergarten, Board member of Tweddle Early Parenting Centre, Founder and Director of Mwembe Foundation. B Civ Eng (Hons), Post grad Dip of Management, MBA.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Chair - Property Committee Member - Community Engagement Committee

Lilian Look

Experience and expertise	Corporate Finance, Legal, Stockbroking and Governance.
Other current Directorships	None
Former Directorships in last 3 years	None
Special responsibilities	Member of Community Engagement and Audit and Governance Committee

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Allen Borella	16	15	N/A	N/A
Paula Davey	16	14	N/A	N/A
Mark Heffernan	16	15	N/A	N/A
Eric Thomas	16	15	12	12
Ric Hallgren	16	15	N/A	N/A
Diana Nelson	16	16	N/A	N/A
Phillip Davies	16	14	12	12
Lilian Look	16	15	12	12

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Directors' report (continued)

Company Secretary

Phillip Davies has been the Company Secretary of Kew East Financial Services Limited since May 2015. Refer above for Phillip's qualifications and experience.

Principal activities

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

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

Review of operations

The loss of the company for the financial year after provision for income tax was $222,955 (2015: $46,628).

The recognition of additional amortisation expense of $132,920 to reflect closure of the existing branches soon after year end has had a significant impact on the overall operating result in the current year.

A downturn in general economic conditions along with the reduction in margins under the 'restoring the balance' program instigated by Bendigo and Adelaide Bank Limited also continues to adversely affect the operating results of the company.

Dividends

Dividends paid or declared since the start of the financial year.

	Cents per share	$
Dividends paid in the year:		
- Final dividend as recommended in the prior year annual report	1	17,923

No dividend has been declared or paid in relation to the year ended 30 June 2016.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

The company ceased operating at the existing Kew and Kew East branches at the close of business on 6 July 2016, before recommencing at a combined premises on 12 July 2016. The company has now consolidated its operations into a new branch which it owns and is its headquarters. The costs incurred for the new premises and work completed up to 30 June 2016 are reflected in the Statement of Financial Position.

No other 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.

Likely developments

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

Directors' report (continued)

Environmental regulations

The company is not subject to any significant environmental regulation.

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.

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.

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 10 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 7 October 2016

Allen Borella
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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

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

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Kew East Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, 10 Octobber 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	1,154,397	1,240,652
Expenses			
Employee benefits expense	3	(747,580)	(732,455)
Depreciation and amortisation	3	(173,632)	(42,088)
Finance costs	3	(29,899)	(31,846)
Bad and doubtful debts expense	3	(2,654)	(50)
Occupancy expenses		(166,259)	(157,683)
IT costs		(55,405)	(54,142)
Impairment loss on financial assets	3	(1,735)	-
Other expenses		(252,950)	(247,481)
Loss before charitable donations and sponsorships		**(275,717)**	**(25,093)**
Charitable donations and sponsorships		(32,048)	(33,075)
Loss before income tax		**(307,765)**	**(58,168)**
Income tax benefit	4	84,810	11,540
Loss for the year		**(222,955)**	**(46,628)**
Total comprehensive income for the year		**(222,955)**	**(46,628)**
Loss attributable to members of the company		(222,955)	(46,628)
Total comprehensive income attributable to members of the company		**(222,955)**	**(46,628)**
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	(12.44)	(2.60)

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	197,511	144,117
Trade and other receivables	6	88,280	86,116
Financial assets	7	22,049	535,974
Current tax asset	4	-	10,000
Other assets	8	17,484	10,220
Total current assets		**325,324**	**786,427**
Non-current assets			
Property, plant and equipment	9	1,724,150	1,133,773
Intangible assets	10	29,500	55,500
Deferred tax assets	4	139,083	54,273
Total non-current assets		**1,892,733**	**1,243,546**
Total assets		**2,218,057**	**2,029,973**
Liabilities			
Current liabilities			
Trade and other payables	11	286,341	56,264
Borrowings	12	63,672	43,560
Provisions	13	88,510	79,232
Total current liabilities		**438,523**	**179,056**
Non-current liabilities			
Borrowings	12	704,102	540,868
Provisions	13	9,664	3,403
Total non-current liabilities		**713,766**	**544,271**
Total liabilities		**1,152,289**	**723,327**
Net assets		**1,065,768**	**1,306,646**
Equity			
Issued capital	14	798,218	798,218
Retained earnings	15	267,550	508,428
Total equity		**1,065,768**	**1,306,646**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		798,218	590,903	1,389,121
Loss for the year		-	(46,628)	(46,628)
Total comprehensive income for the year		**-**	**(46,628)**	**(46,628)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(35,847)	(35,847)
Balance at 30 June 2015		**798,218**	**508,428**	**1,306,646**
Balance at 1 July 2015		798,218	508,428	1,306,646
Loss for the year		-	(222,955)	(222,955)
Total comprehensive income for the year		**-**	**(222,955)**	**(222,955)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(17,923)	(17,923)
Balance at 30 June 2016		**798,218**	**267,550**	**1,065,768**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,265,432	1,360,699
Payments to suppliers and employees		(1,386,309)	(1,425,059)
Interest paid		(29,899)	(31,846)
Interest received		7,627	14,189
Income tax refunded		10,000	5,889
Net cash used in operating activities	**16b**	**(133,149)**	**(76,128)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(493,462)	(39,820)
Investment in short-term bank deposits		(7,616)	(514,582)
Redemption of short-term bank deposits		522,198	-
Net cash flows provided by/(used in) investing activities		**21,120**	**(554,402)**
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Repayment of borrowings		(16,654)	(11,354)
Dividends paid		(17,923)	(35,847)
Net cash provided by/(used in) financing activities		**165,423**	**(47,201)**
Net increase/(decrease) in cash held		**53,394**	**(677,731)**
Cash and cash equivalents at beginning of financial year		144,117	821,848
Cash and cash equivalents at end of financial year	**16a**	**197,511**	**144,117**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These 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 7 October 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, 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.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Kew and Kew East.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

“Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2016 were $1,065,768 and the loss made for the year was $222,955, reducing retained earnings to $267,550.

In addition at 30 June 2016:	$
Total assets were	2,218,057
Total liabilities were	1,152,289
Operating cash flows were	(133,149)

The company meets its day to day working capital requirements through existing cash reserves and has also extended the limit on existing loan facilities by $300,000 subsequent to the end of the financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 5 to 9. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash resources and undrawn loan facilities to meet its current obligations.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2016/17 financial year and beyond through the provision of loan facilities on normal commercial terms and conditions to assist with working capital requirements. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on the above, and after making additional enquiries, the Directors believe it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment (continued)

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	3%	SL
Leasehold improvements	5-33%	SL
Plant and equipment	5-33%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The rate of depreciation has been accelerated during the current period to reflect the reduction in remaining useful life of company assets following the closure of the existing branches soon after year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

Establishment costs and franchise fees 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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iv) Derecognition

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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

Note 1. Summary of significant accounting policies (continued)

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

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.

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 and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied."

In May 2015, the AASB issued ED 260 Income of Not-for-profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity’s preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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 charges 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>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating 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.

Notes to the financial statements (continued)

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	1,148,274	1,220,901
	1,148,274	**1,220,901**
Other revenue		
- interest received	3,731	17,745
- increase in market value of financial assets	-	581
- other revenue	2,392	1,425
	6,123	**19,751**
Total revenue	**1,154,397**	**1,240,652**
Note 3. Expenses		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	661,806	637,457
- superannuation costs	52,962	49,378
- other costs	32,812	45,620
	747,580	**732,455**
Depreciation and amortisation		
Depreciation		
- plant and equipment	6,308	2,937
- leasehold improvements	141,324	13,151
	147,632	**16,088**
Amortisation		
- franchise fees	4,000	4,000
- establishment/renewal processing fees	22,000	22,000
	26,000	**26,000**
Total depreciation and amortisation	**173,632**	**42,088**
Finance costs		
- Interest paid	29,899	31,846
Bad and doubtful debts expenses	2,654	50
Impairment loss on financial assets	1,735	-

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,767	4,667

Note 4. Income tax

	2016 $	2015 $
a. The components of income tax expense benefit comprise:		
Future income tax benefit attributable to losses	(43,733)	(32,761)
Movement in deferred tax expense relating to timing differences	(37,052)	18,365
Recoupment of prior year tax losses	-	-
Adjustment to deferred tax to reflect change of tax rate in future periods	-	2,856
Over provision of prior years	(4,025)	-
	(84,810)	**(11,540)**
b. Prima facie tax payable		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Prima facie tax on loss before income tax at 28.5% (2015: 30%)	(87,712)	(17,451)
Add tax effect of:		
- Non-deductible expenses	4,560	4,800
- Other deductible expenses	(1,658)	(1,745)
- Adjustment to deferred tax to reflect change of tax rate in future periods	-	2,856
Income tax attributable to the entity	**(84,810)**	**(11,540)**
The applicable weighted average effective tax rate is	(27.56%)	(19.84%)
c. Current tax asset		
Current tax relates to the following:		
Current tax assets		
Opening balance	(10,000)	(15,889)
Income tax refunded/(paid)	10,000	5,889
	-	**(10,000)**

	2016 $	2015 $

Note 4. Income tax (continued)

d. Deferred tax asset

Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,461	1,754
Employee provisions	27,979	23,551
Property, plant and equipment	31,311	-
Unused tax losses	78,881	31,123
	139,632	**56,428**
Deferred tax liabilities balance comprises:		
Accrued income	-	1,111
Unrealised gain on financial assets	549	1,044
	549	**2,155**
Net deferred tax asset	**139,083**	**54,273**

e. Deferred income tax (revenue)/expense included in income tax benefit comprises:

Decrease/(increase) in deferred tax assets	(35,447)	16,635
(Decrease)/increase in deferred tax liabilities	(1,606)	1,730
	(37,053)	**18,365**

Note 5. Cash and cash equivalents

Cash at bank and on hand	**197,511**	**144,117**

Note 6. Trade and other receivables

Current

Trade receivables	81,695	82,218
Other receivables	6,585	3,898
	88,280	**86,116**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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.

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	81,695	-	-	-	-	81,695
Other receivables	6,585	-	-	-	-	6,585
Total	**88,280**	**-**	**-**	**-**	**-**	**88,280**
2015						
Trade receivables	82,218	-	-	-	-	82,218
Other receivables	3,898	-	-	-	-	3,898
Total	**86,116**	**-**	**-**	**-**	**-**	**86,116**

	2016 $	2015 $

Note 7. Financial assets

Held to maturity financial assets		
Term deposits	-	514,582
Available for sale financial assets		
Units in managed funds	22,049	21,392
	22,049	**535,974**

Note 8. Other assets

Prepayments	12,344	5,081
Security deposit	5,140	5,139
	17,484	**10,220**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 9. Property, plant and equipment

Land		
At cost	667,000	667,000
Buildings		
At cost	259,421	259,421
Leasehold improvements		
At cost	252,350	252,350
Less accumulated depreciation	(251,637)	(110,313)
	713	**142,037**
Plant and equipment		
At cost	66,460	65,502
Less accumulated depreciation	(56,065)	(49,757)
	10,395	**15,745**
Capital work in progress	786,621	49,570
Total property, plant and equipment	**1,724,150**	**1,133,773**

The company ceased operating at the existing Kew and Kew East branches at the close of business on 6 July 2016, before recommencing at a combined premises on 12 July 2016. The company has now consolidated its operations into a new branch which it owns and is its headquarters.

Additional depreciation expense recognised in the current period as a result of the abovementioned circumstances is as follows:

	2016 $	2015 $
- Leasehold improvements	128,922	
- Plant and equipment	3,998	
	132,920	

The costs incurred for the new premises and work completed up to 30 June 2016 are included in the Land, Buildings and Capital work in progress items outlined above. Depreciation on applicable assets will be recognised from 12 July 2016 when operations commenced from the new premises.

	2016 $	2015 $
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	667,000	667,000
Balance at the end of the reporting period	**667,000**	**667,000**

	2016 $	2015 $
Note 9. Property, plant and equipment (continued)		
Buildings		
Balance at the beginning of the reporting period	259,421	259,421
Balance at the end of the reporting period	**259,421**	**259,421**
Leasehold improvements		
Balance at the beginning of the reporting period	142,037	155,188
Depreciation expense	(141,324)	(13,151)
Balance at the end of the reporting period	**713**	**142,037**
Plant and equipment		
Balance at the beginning of the reporting period	15,745	18,682
Additions	958	-
Depreciation expense	(6,308)	(2,937)
Balance at the end of the reporting period	**10,395**	**15,745**
Capital work in progress		
Balance at the beginning of the reporting period	49,570	9,750
Additions	737,051	39,820
Balance at the end of the reporting period	**786,621**	**49,570**
Total property, plant and equipment		
Balance at the beginning of the reporting period	1,133,773	1,110,041
Additions	738,009	39,820
Depreciation expense	(147,632)	(16,088)
Balance at the end of the reporting period	**1,724,150**	**1,133,773**

Note 10. Intangible assets

Franchise fee		
At cost	70,000	70,000
Less accumulated amortisation	(66,000)	(62,000)
	4,000	**8,000**
Establishment/renewal processing fee		
At cost	110,000	110,000
Less accumulated amortisation	(84,500)	(62,500)
	25,500	**47,500**
Total intangible assets	**29,500**	**55,500**

	2016 $	2015 $

Note 10. Intangible assets (continued)

Movements in carrying amounts

	2016 $	2015 $
Franchise fee		
Balance at the beginning of the reporting period	8,000	12,000
Amortisation expense	(4,000)	(4,000)
Balance at the end of the reporting period	**4,000**	**8,000**
Establishment/renewal processing fee		
Balance at the beginning of the reporting period	47,500	69,500
Amortisation expense	(22,000)	(22,000)
Balance at the end of the reporting period	**25,500**	**47,500**
Total intangible assets		
Balance at the beginning of the reporting period	55,500	81,500
Amortisation expense	(26,000)	(26,000)
Balance at the end of the reporting period	**29,500**	**55,500**

Note 11. Trade and other payables

Current

	2016 $	2015 $
Unsecured liabilities:		
Trade creditors	126,725	15,375
Other creditors and accruals	159,616	40,889
	286,341	**56,264**

The average credit period on trade and other payables is one month.

Note 12. Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Bank loans	**63,672**	**43,560**
Non-current		
Secured liabilities		
Bank loans	**704,102**	**540,868**

Note 12. Borrowings (continued)

(a) Bank loans

The company has two Bendigo and Adelaide Bank Limited Business Flexi Loan facilities, both secured by first registered mortgage over the property at 643 High Street, Kew East. The terms and balance of each loan facility as at 30 June 2016 is as follows:

Facility Limit:	$380,000	$400,000
Term:	180 months	180 months
Facility Type:	Principal and interest	Interest only
Balance as at 30 June 2016:	$373,113	$394,661

Interest has been incurred at an average rate of 4.90% (2015: 5.40%) across the two facilities during the year.

Subsequent to the end of the financial year the facility limit on the interest only loan was increased to $700,000.

	2016 $	2015 $

Note 13. Provisions

	2016 $	2015 $
Current		
Employee benefits	88,510	79,232
Non-current		
Employee benefits	9,664	3,403
Total provisions	**98,174**	**82,635**

Note 14. Share capital

	2016 $	2015 $
1,792,327 Ordinary shares fully paid	827,307	827,307
Less: Equity raising costs	(29,089)	(29,089)
	798,218	**798,218**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,792,327	1,792,327
At the end of the reporting period	**1,792,327**	**1,792,327**

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.

Note 14. Share capital (continued)

Capital management (continued)

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 company 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 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.

	2016 $	2015 $
Note 15. Retained earnings		
Balance at the beginning of the reporting period	508,428	590,903
Loss after income tax	(222,955)	(46,628)
Dividends paid	(17,923)	(35,847)
Balance at the end of the reporting period	**267,550**	**508,428**
Note 16. 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:		
Cash and cash equivalents (Note 5)	197,511	144,117
(b) Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	(222,955)	(46,628)
Non-cash flows in loss		
- Depreciation	147,632	16,088
- Amortisation	26,000	26,000
- Distributions received from financial assets reinvested	(2,392)	(1,424)
- (Increase)/decrease in value of financial assets	1,735	(582)

	2016 $	2015 $
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(2,164)	9,560
- (Increase)/decrease in prepayments and other assets	(7,264)	(5,096)
- Increase/(decrease) in current tax asset	10,000	5,889
- (Increase)/decrease in deferred tax asset	(84,810)	(11,540)
- Increase/(decrease) in trade and other payables	(14,470)	(15,972)
- Increase/(decrease) in provisions	15,539	(52,423)
Net cash flows used in operating activities	**(133,149)**	**(76,128)**

(c) Credit standby arrangement and loan facilities

The company has loan facilities amounting to $800,000 (2015: $600,000). These may be terminated at any time at the option of the bank. At 30 June 2016, $767,774 of these facilities were used (2015: $584,428). Variable interest rates apply to these loan facilities.

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	(12)	(3)
Earnings used in calculating basic and diluted earnings per share	(222,955)	(46,628)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	1,792,327	1,792,327

Note 18. Key management personnel and related party disclosures

(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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2016 $	2015 $
Short-term employee benefits	39,050	39,132
Post-employment benefits	950	868
Total key management personnel compensation	**40,000**	**40,000**

Note 18. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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. No Director fees have been paid as the positions are held on a voluntary basis.

The company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. 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 utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. For the year ended 30 June 2016 there have been limited benefits received by the Directors from the Directors Privilege Package.

(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:

	2016	2015
Allen Borella	12,503	12,503
Paula Davey	2,500	2,500
Phillip Davies	-	-
Ric Hallgren	-	-
Mark Heffernan	4,000	4,000
Lilian Look	-	-

Note 18. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

	2016	2015
Diana Nelson	-	-
Eric Thomas	3,003	3,003

There was no movement in key management personnel shareholdings during the year. 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 19. Events after the reporting period

The company's operations ceased at the existing Kew and Kew East branches at the close of business on 6 July 2016, before recommencing at a combined premises on 12 July 2016. The costs incurred for the new premises and work completed up to 30 June 2016 are reflected in the Statement of Financial Position.

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. 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 Boroondara district of Melbourne, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

Note 22. Commitments

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	37,169	112,153
- between 12 months and five years	-	36,231
- greater than five years	-	-
Minimum lease payments	**37,169**	**148,384**

Note 22. Commitments (continued)

The company has two property leases which are non-cancellable with 5 year terms, with rent payable monthly in advance and annual cpi increases each year. Both leases will not be renewed at the conclusion of their current terms following relocation of business operations to a company owned premises. The lease on the Kew branch ceases on 15 September 2016 and the lease on the Kew East branch ceases on 1 December 2016.

Note 23. Company details

The registered office and principle place of business is: 643 High Street, Kew East, Victoria, 3102.

Note 24. Dividends paid or provided for on ordinary shares

	2016 $	2015 $
(a) Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 1 cent per share (2015:2 cents) franked at the tax rate of 30% (2015: 30%).	17,923	35,847
(b) Franking account balance		
Franking credits available for subsequent reporting periods are:		
Franking account balance as at the end of the financial year	337,393	355,074
Franking debits that will arise from refund of income tax as at the end of the financial year	-	(10,000)
Franking credits available for future financial reporting periods	**337,393**	**345,074**
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	-	(7,681)
Net franking credits available	**337,393**	**337,393**

Note 25. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- financial assets

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Note 25. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Note 25. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Note	30 June 2016			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Financial assets					
Managed investments (fair value through profit or loss)					
- financial sector		22,049	-	-	22,049
Total financial assets recognised at fair value on a recurring basis		**22,049**	**-**	**-**	**22,049**

	Note	30 June 2015			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Financial assets					
Managed investments (fair value through profit or loss)					
- financial sector		21,392	-	-	21,392
Total financial assets recognised at fair value on a recurring basis		**21,392**	**-**	**-**	**21,392**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

Note 26. Financial risk management

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial 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.

Note 26. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	197,511	144,117
Trade and other receivables	6	88,280	86,116
Financial assets	7	22,049	535,974
Total financial assets		**307,840**	**766,207**
Financial liabilities			
Trade and other payables	11	286,341	56,264
Borrowings	12	767,774	584,428
Total financial liabilities		**1,054,115**	**640,692**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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.

(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.

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.13%	197,511	197,511	-	-
Trade and other receivables	N/A	88,280	88,280	-	-
Financial assets	10.98%	22,049	22,049	-	-
Total anticipated inflows		**307,840**	**307,840**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	286,341	286,341	-	-
Borrowings	4.90%	767,774	63,672	254,688	449,414
Total expected outflows		**1,054,115**	**350,013**	**254,688**	**449,414**
Net inflow/(outflow) on financial instruments		**(746,275)**	**(42,173)**	**(254,688)**	**(449,414)**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.47%	144,117	144,117	-	-
Trade and other receivables	N/A	86,116	86,116	-	-
Financial assets	3.28%	535,974	535,974	-	-
Total anticipated inflows		**766,207**	**766,207**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	56,264	56,264	-	-
Borrowings	5.40%	584,428	43,560	174,240	366,628
Total expected outflows		**640,692**	**99,824**	**174,240**	**366,628**
Net inflow / (outflow) on financial instruments		**125,515**	**666,383**	**(174,240)**	**(366,628)**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities and cash and cash equivalents.

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 2016		
+/- 1% in interest rates (interest income)	2,196	2,196
+/- 1% in interest rates (interest expense)	7,678	7,678
	(5,482)	**(5,482)**

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	6,801	6,801
+/- 1% in interest rates (interest expense)	5,844	5,844
	957	**957**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	197,511	197,511	144,117	144,117
Trade and other receivables (i)	88,280	88,280	86,116	86,116
Financial assets	22,049	22,049	535,974	535,974
Total financial assets	**307,840**	**307,840**	**766,207**	**766,207**
Financial liabilities				
Trade and other payables (i)	286,341	286,341	56,264	56,264
Borrowings	767,774	767,774	584,428	584,428
Total financial liabilities	**1,054,115**	**1,054,115**	**640,692**	**640,692**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

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

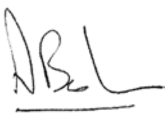
1. The financial statements and notes, as set out on pages 11 to 45 are in accordance with the Corporations Act 2001 and:

   (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 2016 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.



Allen Borella
Director

Signed at Kew East on 7 October 2016.

Richmond
Sinnott &
Delahunty

Chartered Accountants

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

Ph: (03) 5445 4200
Fax: (03) 5444 4344
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 2016, 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.

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 2016 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 2016. 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates the company incurred a loss before income tax of $307,765 for the period ending 30 June 2016. This has reduced the Company's retained earnings to $267,550 at 30 June 2016. These factors, along with others identified in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
10th October 2016

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

Franchisee: Kew East Financial Services Limited
643 High Street, Kew East VIC 3102
Phone: (03) 9859 7699 Fax: (03) 9859 6944
ABN: 91 096 301 058

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