Annual Report 2018

Kew East Financial Services Limited

ABN 91 096 301 058

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

Contents

Chairman's Report

For year ending 30 June 2018

Dear Shareholder,

2018 has been a transformational year for the Company, staff and Board of KEFS. The Board and I wish to bring you up to date with progress for the 2017-18 financial year.

Building upon our stronger foundations in the 2017 financial year and on the back of earlier significant commercial decisions such as the consolidation of the two branches we have improved the company's profitability in 2018. We have now, in the boards view, a strong platform for growth in the future. Our Managers and staff have also been working particularly hard and will continue to work in that manner to keep our branch performance well ahead of budget projections.

Obviously a stronger profit performance also assists us in having a greater impact in the community. Our community contributions have been better this year and before 30 June the Company provided community grants and sponsorships in the amount of $76,796. We hope, with an even stronger financial performance next year, to increase those contributions in the next twelve months. Our sponsorship of local sporting clubs and Community organisations remain a priority. A close relationship with our community partners is and remains an integral part of our business.

Our own Community marketing and social media program, Kew For You, continues to have an impact. Many vital local business relationships have been formed as we continue to build our large database and our connections within the Community.

We are also engaged with a new Bendigo Bank collaborative marketing exercise, combining with other Community Companies in our region which will enable us to market more effectively.

Board succession continues with the engagement of new Directors. Jason Talbot is an excellent new addition and is now Company Secretary. As foreshadowed at the last AGM Allen Borella has stepped down as Chair and then subsequently as a director of the company. I would like to thank Allen for the significant and long-standing contribution he made to the board but also latterly in his role as Chair of the company. His leadership, diligence, positivity and enthusiasm will be missed around the board table. His energy and work at the community and Company level will also be missed.

I would like to thank all directors and staff for their considerable efforts in the last 12 months to continue to build the profitability of the Company. I would also like to thank our shareholders, in particular for their patience and support during this time and assure them that our staff and our directors recognize that as custodians of your Company we have significant obligations and duties to the Company and the community.
Our aim is for the Company to continue to be a significant actor for good in the wider community but especially in the Kew and Kew East communities.

Community Contributions in 2017/18

10 sponsorships given worth $38,672

Boroondara Eagles Football Club	**Kew Football Club**
Deepdene United Soccer Club	**Kew Rovers Football Club**
East Kew United Soccer Club	**Old Trinity Football Club**
Kew Cricket Club	**Rotary Club of Kew**
Kew East Primary School	

Community Grants worth $38,124 were given.

Access Ministries Kew High School	**Melbourne Chorus**
Chaplains Emergency Fund	**Rotary Club of North Balwyn**
Kew Rovers Football Club	**Scout Association of Australia**
Kew Toy Library	**U3A Deepdene**
Magic Moments Foundation	

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
2016/17	2,500		19,930		19,930
2017/18	38,124		38,672		38,672
Total Paid to date	**929,683**	**1,058,627**	**391,800**	**6,000**	**1,481,327**

Donation by Bendigo and Adelaide Bank Ltd 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 and June 2018

Community Enterprise Foundation contributions paid in June 2007, 2008, 2009, 2010, 2011, 2012, 2013

*As reported in the Financial Statements – Charitable Donations and Sponsorships

Community Enterprise Foundation balance as at 30/06/2018: $179,475.

Yours Faithfully

Phillip Davies
Chairman

Manager’s Report

For Year ending 30th June 2018

Welcome to the Kew/Kew East **Community Bank®** Branch Manager’s report for 2018.

Over the past year there has been increasing competition amongst the main banks. This has seen reducing margins and a greater client focus on their banking arrangements. There has also been a slowing in the higher end residential property market. Some clients have taken this opportunity to restructure their banking or reduce debt.

Our core strength and point of difference continues to be our engagement with the community, which is highly valued by our current and prospective clients. We have continued to work closely with a number of community groups, strengthening our partnerships.

Since opening in 2001 KEFS has returned in excess of $1.48 million to the community through grants and sponsorships. This has been made possible through the ongoing loyal support from the customers and shareholders.

Kew/Kew East **Community Bank®** Branch footings as at 30th June 2018 were $198.77 million, which was made up of $53.33 million in lending and $145.44 million in deposits.

I would like to take this opportunity to thank the Board of Directors, branch staff - Elie, Jenny, Harley and support staff – Pam and Tanja, customers, various community groups and shareholders for your continued support not only in the last 12 months, but for the time since opening in 2001. During the year we said farewell to Vikki as she left to pursue other opportunities. I would particularly like to thank her for her dedication, commitment and hard work for our branch. I would also like to thank her for her friendship and support over the 3 years we have worked together at KEFS.

It is timely for me to farewell you all as I move on to new challenges. I would like to thank you all for your support since 2001 when I joined the branch and over the subsequent years which have seen many significant changes.

I have been very fortunate to have worked with a Board of Directors and team of staff that are dedicated and loyal to the community and our **Community Bank®** model’s point of difference in returning profits back to the community. I hope that you will continue to support the Kew/Kew East **Community Bank®** Branch and I wish you all the very best in the future.

Marie Briggs
Branch Manager

Bendigo and Adelaide Bank Report

Year ending 30th June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank®** branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only '**Community Bank®**', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

Directors' Report

Kew East Financial Services Limited
ABN 91 096 301 058

For the year ended 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

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:

Phillip Davies

Position	Chairman
Professional qualifications	LLM (Monash), LLB (Hons), BA (Hons) Melb, GAICD
Experience and expertise	CEO General Counsel, non-executive Director in legal, property, health, financial and education services. Member of Personnel Committee.

Paula Davey

Position	Deputy Chairman
Professional qualifications	MAAPM (Member of Australian Association of Practice Management)
Experience and expertise	Former Local Councillor, extensive connections with Community organisations, consultant and facilitator. Member of Community Investment Committee. Chairman of Personnel Committee.

Eric Thomas

Position	Treasurer
Professional qualifications	FCA
Experience and expertise	Chartered Accountant. Chairman of Audit and Governance Committee.

Jason Talbot

Position	Secretary (Appointed 9 November 2017)
Professional qualifications	Bsc., PhD, Grad.Dip Acc., M App Fin., GAICD.
Experience and expertise	Governance, strategy and finance consultant, former director of Blackburn South Bendigo **Community Bank**. Member of Audit and Governance Committee.

Lilian Look

Position	Director
Professional qualifications	B EC, LLB, GAICD, FFin, ASA
Experience and expertise	Corporate Finance, Legal, Project Management and Governance. Member of Community Investment Committee. Member of Audit and Governance Committee.

Diana Nelson

Position	Director
Professional qualifications	B Civ Eng (Hons), Post grad Dip of Management, MBA
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. Member of Community Investment Committee.

Directors (continued)

Adam Hillary

Position	Director
Professional qualifications	SMC RMAS, GAICD
Experience and expertise	Royal Military Academy Sandhurst Regular Commission, Royal Signals Communications Engineering Graduate and Australian Institute of Company Directors Graduate. Chairman of Community Investment Committee.

Allen Borella

Position	Director (Resigned 26 February 2018)
Professional qualifications	A Grade Mechanic
Experience and expertise	Runs own automotive business.

Mark Heffernan

Position	Treasurer (Deceased 11 October 2017)
Professional qualifications	CPA
Experience and expertise	Certified Practising Accountant. Chairman of the Finance Committee. Member of the Audit and Governance Committee. Member of the Personnel 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 and Governance Committee meetings		Community Investment Committee meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Phillip Davies	11	10	-	-	-	-
Paula Davey	11	11	-	-	8	5
Eric Thomas	11	11	8	8	-	-
Jason Talbot	7	7	5	5	-	-
Lilian Look	11	10	8	7	8	5
Diana Nelson	11	9	-	-	8	5
Adam Hillary	11	10	-	-	8	8
Allen Borella	6	2	-	-	-	-
Mark Heffernan	2	1	2	2	-	-

A - The number of meetings eligible to attend.

B - The number of meetings attended.

As chairman Phillip Davies attends meetings of the Audit and Governance and Community Investment Committees in an ex officio capacity when possible.

Company Secretary

Jason Talbot has been the Company Secretary of Kew East Financial Services Limited since November 2017. Refer above for Jason'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 a franchised branch 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 profit of the company for the financial year after provision for income tax was $177,982 (2017 profit: $70,663), which is a 151.9% increase as compared with the previous year.

Dividends

A fully franked final dividend of 2 cents per share was declared and paid for the year ended 30 June 2017. The board declared a fully franked dividend of 3 cents per share at the board meeting on 30 July 2018.

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

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Governance Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit and Governance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Signed in accordance with a resolution of the Board of Directors at Kew East, Victoria on 14 September 2018.

Phillip Davies

Phillip Davies
Chairman

Signed at Kew East on 14 September 2018.

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC,
3552

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Auditors 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 2018 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the review; and
(ii) Any applicable code of professional conduct in relation to the review.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 21 September 2018

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	1,165,907	1,146,965
Expenses			
Employee benefits expense	3	(471,852)	(503,817)
Depreciation and amortisation	3	(60,927)	(67,576)
Finance costs	3	(29,216)	(39,119)
Bad and doubtful debts expense	3	(251)	(375)
Advertising and marketing expenses		(88,624)	(57,914)
Occupancy expenses		(26,912)	(104,329)
IT expenses		(35,260)	(52,097)
Other expenses		(165,182)	(193,748)
		(878,224)	**(1,018,975)**
Operating profit before charitable donations and sponsorship		**287,683**	**127,990**
Charitable donations and sponsorships		(38,672)	(19,930)
Profit before income tax		**249,011**	**108,060**
Income tax expense	4	(71,029)	(37,397)
Profit for the year after income tax		**177,982**	**70,663**
Total comprehensive income attributable to members of the company		**177,982**	**70,663**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	9.93	3.94

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	66,968	301,246
Trade and other receivables	6	89,234	96,977
Other assets	7	9,582	9,763
Total current assets		**165,784**	**407,986**
Non-current assets			
Property, plant and equipment	8	1,685,000	1,724,475
Intangible assets	9	38,240	58,766
Deferred tax assets	4	30,657	101,686
Total non-current assets		**1,753,897**	**1,884,927**
Total assets		**1,919,681**	**2,292,913**
Liabilities			
Current liabilities			
Trade and other payables	11	60,743	99,585
Borrowings	12	30,648	69,672
Provisions	13	100,545	95,192
Total current liabilities		**191,936**	**264,449**
Non-current liabilities			
Trade and other payables	11	26,317	39,475
Borrowings	12	422,382	848,779
Provisions	13	480	3,779
Total non-current liabilities		**449,179**	**892,033**
Total liabilities		**641,115**	**1,156,482**
Net assets		**1,278,566**	**1,136,431**
Equity			
Issued capital	14	798,218	798,218
Retained earnings	15	480,348	338,213
Total equity		**1,278,566**	**1,136,431**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2017		798,218	338,213	1,136,431
Comprehensive income for the year				
Profit for the year		-	177,982	177,982
Other comprehensive income for the year		-	-	-
		-	**177,982**	**177,982**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(35,847)	(35,847)
Balance at 30 June 2018		**798,218**	**480,348**	**1,278,566**
Balance at 1 July 2016		798,218	267,550	1,065,768
Comprehensive income for the year				
Profit for the year		-	70,663	70,663
Other comprehensive income for the year		-	-	-
		-	**70,663**	**70,663**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2017		**798,218**	**338,213**	**1,136,431**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,290,997	1,253,213
Payments to suppliers and employees		(958,950)	(1,015,087)
Interest paid		(29,216)	(39,119)
Interest received		-	6
Net cash flows provided by operating activities	18b	**302,831**	**199,013**
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,767)	(270,912)
Purchase of intangible assets		(20,074)	-
Redemption of units in managed funds		-	24,957
Net cash flows used in investing activities		**(35,841)**	**(245,955)**
Cash flows from financing activities			
Proceeds from borrowings		-	200,000
Repayment of borrowings		(465,421)	(49,323)
Dividends paid		(35,847)	-
Net cash flows from/(used in) financing activities		**(501,268)**	**150,677**
Net increase/(decrease) in cash held		**(234,278)**	**103,735**
Cash and cash equivalents at beginning of financial year		301,246	197,511
Cash and cash equivalents at end of financial year	18a	**66,968**	**301,246**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2018

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 14 September 2018.

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®** branch at Kew East, Victoria.

The branch operates 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®** branches 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®** branches;
- 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;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation 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.

Fair value assessment of non-current physical assets

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.

Employee benefits provision

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.

Income tax

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.

Impairment

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.

Note 1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

(g) 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 out on the proceeding pages

(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:

   - 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.

Note 1. Summary of significant accounting policies (continued)

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

(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.

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.

(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.

Note 2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	1,165,907	1,144,052
	1,165,907	**1,144,052**
Other revenue		
- interest received	-	6
- gain on disposal of financial assets	-	2,347
- other revenue	-	560
	-	**2,913**
Total revenue	**1,165,907**	**1,146,965**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

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

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

Note 3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	415,893	444,414
- superannuation costs	37,363	39,924
- other costs	18,596	19,479
	471,852	**503,817**
Depreciation and amortisation		
Depreciation		
- buildings	22,269	22,938
- leasehold improvements	-	713
- plant and equipment	18,132	17,230
	40,401	**40,881**
Amortisation		
- franchise fees	3,405	4,139
- establishment costs	17,121	22,556
	20,526	**26,695**
Total depreciation and amortisation	**60,927**	**67,576**
Finance costs		
- Interest paid	29,216	39,119
Bad and doubtful debts expenses	251	375
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,240	4,850

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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.

Note 3. Expenses (continued)

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

Class of asset	Rate	Method
Buildings	2.5%	Straight line
Plant and equipment	5 - 40%	Straight line

Gains/losses upon disposal of non-current assets

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.

Note 4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Future income tax benefit attributable to losses	-	(12,194)
Recoupment of prior year tax losses	71,562	
Deferred tax expense	(162)	44,711
Adjustment to deferred tax to reflect change to tax rate	-	4,880
Under/over provision in respect to prior years	(371)	-
	71,029	**37,397**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	68,478	29,717
Add tax effect of:		
- Non-deductible expenses	2,922	4,400
- Other deductible expenses	-	(1,600)
- Adjustment to deferred tax to reflect change to tax rate	-	4,880
- Under/over provision in respect to prior years	(371)	-
Income tax attributable to the entity	**71,029**	**37,397**
The applicable weighted average effective tax rate is:	28.52%	34.61%

These financial statements should be read in conjunction with the accompanying notes.

4. Income tax (continued)

c. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	1,201	1,375
Employee provisions	27,782	27,216
Unused tax losses	16,745	88,307
Deferred tax liabilities comprise:		
Property, plant & equipment	15,071	15,212
	15,071	15,212
Net deferred tax asset	**30,657**	**101,686**

e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	71,170	22,734
(Decrease) / increase in deferred tax liabilities	(141)	14,663
	71,029	**37,397**

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

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 5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	**66,968**	**301,246**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

Note 6. Trade and other receivables

	2018	2017
	$	$
Current		
Trade receivables	**89,234**	**96,977**

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.

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.

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.

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
	$	$	$	$	$	$
2018						
Trade receivables	89,234	89,234	-	-	-	-
Total	**89,234**	**89,234**	**-**	**-**	**-**	**-**
2017						
Trade receivables	96,977	96,977	-	-	-	-
Total	**96,977**	**96,977**	**-**	**-**	**-**	**-**

Note 7. Other assets

	2018	2017
	$	$
Prepayments	**9,582**	**9,763**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

These financial statements should be read in conjunction with the accompanying notes.

Note 8. Property, plant and equipment

	2018			2017		
	At cost	Accumlated Depreciation	Written down value	At cost	Accumlated Depreciation	Written down value
	$	$	$	$	$	$
Land	667,000	-	667,000	667,000	-	667,000
Buildings	944,697	(45,207)	899,490	946,046	(22,938)	923,108
Plant and equipment	161,470	(42,960)	118,510	159,195	(24,828)	134,367
Total property, plant and equipment	**1,773,167**	**(88,167)**	**1,685,000**	**1,772,241**	**(47,766)**	**1,724,475**

Land and buildings

Freehold land and buildings are carried at their fair value (refer note 1 (X)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

Note 8. Property, plant and equipment (continued)

(b) Movements in carrying amounts of property, plant and equipment

2018	Opening written down value $	Additions $	Transfers $	Impairments / write-offs $	Depreciation $	Closing written down value $
Land	667,000	-	-	-	-	667,000
Buildings	923,108	-	-	(1,349)	(22,269)	899,490
Plant and equipment	134,367	2,275	-	-	(18,132)	118,510
Total property, plant and equipment	**1,724,475**	**2,275**	**-**	**(1,349)**	**(40,401)**	**1,685,000**

2017	$	$	$	$	$	$
Land	667,000	-	-	-	-	667,000
Buildings	259,421	14,840	671,785	-	(22,938)	923,108
Leasehold improvements	713	-	-	-	(713)	-
Plant and equipment	10,395	26,366	114,836	-	(17,230)	134,367
Capital work in progress	786,621	-	(786,621)	-	-	-
Total property, plant and equipment	**1,724,150**	**41,206**	**-**	**-**	**(40,881)**	**1,724,475**

Note 9. Intangible assets

	2018			2017		
	At cost $	Accumulated amortisation $	Written down value $	At cost $	Accumulated amortisation $	Written down value $
Franchise fees	81,192	(73,544)	7,648	81,192	(70,139)	11,053
Establishment/renewal processing fees	154,769	(124,177)	30,592	154,769	(107,056)	47,713
Total intangible assets	**235,961**	**(197,721)**	**38,240**	**235,961**	**(177,195)**	**58,766**

Franchise fees and establishment/renewal processing 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.

These financial statements should be read in conjunction with the accompanying notes.

Note 9. Intangible assets (continued)

Movements in carrying amounts

2018	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	11,053	-	(3,405)	7,648
Establishment/renewal processing fees	47,713	-	(17,121)	30,592
Total intangible assets	**58,766**	**-**	**(20,526)**	**38,240**

2017	$	$	$	$
Franchise fees	4,000	11,192	(4,139)	11,053
Establishment/renewal processing fees	25,500	44,769	(22,556)	47,713
Total intangible assets	**29,500**	**55,961**	**(26,695)**	**58,766**

Note 10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 11. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	5,591	14,098
Other creditors and accruals	55,152	85,487
	60,743	**99,585**
Non-current		
Unsecured liabilities:		
Trade creditors	26,317	39,475
Total trade and other payables	**87,060**	**139,060**

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.

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

Note 12. Borrowings

	2018 $	2017 $
Current		
Secured liabilities:		
Bank loan	30,648	69,672
Non-current		
Secured liabilities:		
Bank loan	422,382	848,779
Total borrowings	**453,030**	**918,451**

Loans

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.

(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 2018 is as follows:

Facility Limit:	$380,000	$700,000
Term:	180 months	180 months
Facility Type:	Principal and interest	Interest only
Balance as at 30 June 2018:	$648	$452,382
Expiry date:	9 January 2029	9 January 2029

Interest has been incurred at an average rate of 4.62% (2017: 4.37%) across the two facilities during the year.

Note 13. Provisions

	2018 $	2017 $
Current		
Employee benefits	100,545	95,192
Non-current		
Employee benefits	480	3,779
Total provisions	**101,025**	**98,971**

Note 13. Provisions (continued)

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 14. Share capital

	2018 $	2017 $
1,792,327 ordinary shares fully paid	827,307	827,307
Less: Equity raising costs	(29,089)	(29,089)
	798,218	**798,218**

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.

(a) Movements in share capital

	2018 $	2017 $
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.

(b) 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)

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.

Note 15. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	338,213	267,550
Profit for the year after income tax	177,982	70,663
Dividends paid	(35,847)	-
Balance at the end of the reporting period	**480,348**	**338,213**

Note 16. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Prior year final ordinary dividend of 2 cents per share fully franked at the tax rate of 27.5%.	**35,847**	**-**
Dividends proposed but not recognised as a liability		
Current year final ordinary dividend of 3 cents (2017: 2 cents) per share fully franked at the tax rate of 27.5%.	**53,770**	**35,847**
Franking account balance		
Franking credits available for subsequent reporting periods are:		
franking account balance as at the end of the financial year	323,796	337,393
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	(20,395)	(13,597)
Net franking credits available	**303,401**	**323,796**

These financial statements should be read in conjunction with the accompanying notes.

Note 17. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	9.93	3.94
Earnings used in calculating basic earnings per share	177,982	70,663
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,792,327	1,792,327

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.

Note 18. Statement of cash flows

	2018 $	2017 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled o that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	66,968	301,246
As per the Statement of Cash Flow	**66,968**	**301,246**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	177,982	70,663
Non-cash flows in profit		
- Depreciation and amortisation	60,927	67,576
- Distributions received on financial assets reinvested	-	(561)
- Gain on sale of financial assets	-	(2,347)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	7,743	(8,697)
- (increase) / decrease in prepayments and other assets	181	7,721
- (Increase) / decrease in deferred tax asset	71,029	37,397
- Increase / (decrease) in trade and other payables	(17,085)	26,464
- Increase / (decrease) in provisions	2,054	797
Net cash flows from operating activities	**302,831**	**199,013**

(c) Credit standby arrangement and loan facilities

The company has loan facilities amounting to $1,080,000 (2017: $1,080,000) (Note 12(a)). These may be terminated at any time at the option of the bank. At 30 June 2018, $453,030 of these facilities were used (2017: $918,451). Variable interest rates apply to these loan facilities.

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

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

	2018	2017
	$	$
Short-term employee benefits	39,132	39,051
Post-employment benefits	868	949
Total key management personnel compensation	**40,000**	**40,000**

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.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
Jade Borella	Provision of consultancy services in relation to the 'Kew for You' marketing initiative.	11,505

Kew East Financial Services Limited 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 2018 there have been minimal benefits received by the Directors from the Directors Privilege Package.

19.Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2018 $	2017 $
Phillip Davies	-	-
Paula Davey	2,500	2,500
Eric Thomas	3,003	3,003
Jason Talbot	-	-
Lilian Look	-	-
Diana Nelson	-	-
Adam Hillary	5,000	5,000
Allen Borella (resigned 26 February 2018)	12,503	12,503
Mark Heffernan (deceased 11 October 2017)	4,000	4,000
	27,006	27,006

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 key management or related parties other than those described above.

Note 20.Events after the reporting period

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

Note 21.Contingent liabilities and contingent assets

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

Note 22.Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

Note 23.Company details

The registered office and principal place of business is: 643 High Street, Kew East, Victoria, 3101

Note 24. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

The 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.

These financial statements should be read in conjunction with the accompanying notes.

Note 24. Financial instrument risk (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:

	Notes	2018	2017
		$	$
Financial assets			
Cash and cash equivalents	5	66,968	301,246
Trade and other receivables	6	89,234	96,977
Total financial assets		**156,202**	**398,223**
Financial liabilities			
Trade and other payables	11	60,743	99,585
Borrowings	12	453,030	918,451
Total financial liabilities		**513,773**	**1,018,036**

(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 (2017: 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.

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.

Note 24. Financial instrument risk (continued)

Financial liability and financial asset maturity analysis:

	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
30 June 2018	**%**	**$**	**$**	**$**	**$**
Financial assets					
Cash and cash equivalents	-%	66,968	66,968	-	-
Trade and other receivables		89,234	89,234	-	-
Total anticipated inflows		156,202	156,202	-	-
Financial liabilities					
Trade and other payables		60,743	60,743	-	-
Borrowings	4.62%	453,030	30,648	120,000	302,382
Total expected outflows		513,773	91,391	120,000	302,382
Net inflow / (outflow) on financial instruments		**(357,571)**	**64,811**	**(120,000)**	**(302,382)**
30 June 2017	**%**	**$**	**$**	**$**	**$**
Financial assets					
Cash and cash equivalents	-%	301,246	301,246	-	-
Trade and other receivables	n/a	96,977	96,977	-	-
Total anticipated inflows		398,223	398,223	-	-
Financial liabilities					
Trade and other payables	n/a	99,585	99,585	-	-
Borrowings	4.37%	918,451	69,672	278,688	570,091
Total expected outflows		1,018,036	169,257	278,688	570,091
Net inflow / (outflow) on financial instruments		**(619,813)**	**228,966**	**(278,688)**	**(570,091)**

(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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

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

Note 24. Financial instrument risk (continued)

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.

	2018		2017	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	670	670	3,012	3,012
+/- 1% in interest rates (interest expense)	(4,530)	(4,530)	(9,185)	(9,185)
	(3,860)	**(3,860)**	**(6,173)**	**(6,173)**

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

Directors' Declaration

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

1. The financial statements and notes, as set out on pages 7 to 32 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 2018 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.

Phillip Davies
Chairman

Signed at Kew East on 14 September 2018.

Independent audit report

rsd Audit

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AUDITOR'S REPORT
TO THE MEMBERS OF KEW EAST FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Kew East Financial Services Limited, which comprises the statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2018 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Director's 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

RSD Audit

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 21 September 2018

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