Annual Report 2019

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 2019

Dear Shareholder,
This has been another significant and profitable year for the Company. The Board and I wish to bring you up-to-date with progress for the 2018-19 financial year.

Building on our stronger foundations over the last 12 months, we have improved the company's profitability in 2019. This outcome is despite the continuing difficult operating environment facing banking businesses. We have now achieved, in the board's view, a strong platform for growth and business continuity into the future. As always, our Branch Manager and staff have been working particularly hard to deliver exceptional services to all our customers and to keep branch performance ahead of the budget. We would particularly like to acknowledge the work done by Effie Iliadis who we are delighted to announce has been appointed as our new Branch Manager. We also thank all of our staff for their tireless work and commitment to the continued prosperity of our branch.

Achievement of a stronger profit performance together with more meaningful relationships with our clients and community groups will ensure we can generate a greater impact locally. Our community contributions have improved this year and prior to 30 June 2019 the Company awarded community grants and sponsorships valued at $85,408. We anticipate that with an even stronger financial performance moving forward we could increase those contributions during 2019-20. Our sponsorship of and co-operation with local sporting clubs and other community organisations remains a key priority. Close and mutually beneficial relationships with our community partners is and remains an integral part of our banking business.

Our home-grown and owned community marketing and social media program, Kew For You, continues to have an enduring impact in the Kew and Boroondara region. This social media platform is at the forefront of our engagement with local businesses, community groups and the wider Kew community which we are proud to support.

As well, our engagement with the Bendigo Bank collaborative marketing program enables us to join with other community branches in our region to showcase our activities and capabilities at a local level. This enables us to market our products, people and services to the community more effectively.

Board succession continues with the appointment of new Directors. Michael Barden is an excellent new addition to the board and brings extensive small business experience which is also a valuable asset through his membership of the Community Investment Committee.

I would also like to thank all Directors for their considerable efforts over the last 12 months in helping build the profile of the Company in the local community. At the same time, I thank our shareholders in particular for their patience and support and I wish to assure them that our staff and our Directors will continue working towards building shareholder value while also meeting our obligations to serve our local community.

Our aim is that the Company remains a positive and vital presence for families, businesses and community groups in the wider community and especially in the neighbourhoods of Kew and Kew East.

Yours Faithfully

Phillip Davies
Chairman

Community Contributions in 2018/19

Sponsorships worth $37,350 were given.

Deepdene Uniting Cricket Club	Kew Rovers Football Club
Kew Cricket Club	Old Trinity Grammarians Football Club
Kew East Primary School	Probus Club of Malvern
Kew Football Club	Rotary Club of North Balwyn

Community Grants worth $48,058 were given.

1st North Balwyn Scout Troop	Kew Football Club
4th Kew Scout Troop	Kew Toy Library
Canterbury Girls' School	Magic Moments Foundation
Giant Steps	Rotary Club of Kew
Greythorn Early Childhood Centre	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
2016/17	2,500		19,930		19,930
2017/18	38,124		38,672		38,672
2018/2019	48,058		37,350		37,350
Total Paid to date	**977,741**	**1,058,627**	**429,150**	**6,000**	**1,518,677**

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.

All subsequent Community Grants paid through the Community Enterprise Foundation.

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 30/06/2019 $125,990.15.

Yours Faithfully

Phillip Davies
Chairman

Manager's Report

For year ending 30th June 2019

Welcome to the 2019 Branch Manager's report for Kew & Kew East **Community Bank®** Branch.

I would like to take the opportunity to introduce myself. I'm Effie Iliadis and have been recently appointed as Branch Manager for Kew & Kew East **Community Bank®** Branch.

I have had 11 years' experience within the bank and have enjoyed every aspect throughout the journey. Being a part of Kew & Kew East **Community Bank®** Branch for the last six months has been an amazing experience. I say this as it is due to our great team, our point of difference and the dedication this business displays in ensuring that we make a difference in the community whilst growing our business.

Kew & Kew East **Community Bank®** Branch footings as at 30th June 2019 were $204.64 million. This was made up of $56.11 million in lending and $148.53 million in deposits.

With the success of the business, and the dedicated support from our shareholders and customers, Kew East Financial Services Limited has returned millions to our community through various sponsorships and grants. Together we will continue to do so and in doing so, make a real difference to our local community.

I would like to take this opportunity to thank the branch staff Elie, Jenny and James and support staff Pam and Tommy for their dedication and ongoing passion that drives this business. I also thank the committed Board of Directors, our shareholders and our customers for their ongoing support.

Going forward, I believe our **Community Bank®** will continue to grow, and with the community's support, there really is no limit to what can be achieved.

Effie Iliadis
Branch Manager

Bendigo and Adelaide Bank Report

Year ending 30th June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank®** partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank®** branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank®** company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank®** company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank®** branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank®** business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank®** branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' Report

Kew East Financial Services Limited
ABN 91 096 301 058

For the year ended 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

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. Chair of Personnel Committee.

Eric Thomas

Position	Treasurer
Professional qualifications	FCA
Experience and expertise	Chartered Accountant. Chair 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.

Olivia Dolezal

Position	Director (Appointed 27 August 2018)
Professional qualifications	BCom (Currently completing)
Experience and expertise	Bendigo Bank Young Directors Program. Leadership and community service experience. Member of Community Investment Committee. Member of Audit and Governance Committee. Chair of Youth Sub-Committee.

Directors (continued)

Thomas Rochford

Position	Director (Appointed 27 August 2018)
Professional qualifications	LLB (Hons), BSci (Enviro), GDLP
Experience and expertise	Marketing strategy and business development. Chair of Community Investment Committee. Member of the Youth Sub-Committee

Michael Barden

Position	Director (Appointed 25 February 2019)
Professional qualifications	Bachelor of Commerce (Melbourne Uni)
Experience and expertise	Owner and Managing Director of workwear clothing importer and distributor for over 25 years. Close assocaition with a number of local schools sports clubs over 20 years. Member of Community Investment Committee.

Adam Hillary

Position	Director (Resigned 2 November 2018)
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. Chair of Community Investment Committee. Member of 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	Note 1	Note 1	Note 1	Note 1
Paula Davey	11	11	N/A	N/A	10	9
Eric Thomas	11	10	10	10	N/A	N/A
Jason Talbot	11	11	10	10	N/A	N/A
Lilian Look	11	10	10	10	4	3
Diana Nelson	11	9	N/A	N/A	10	8
Olivia Dolezal	9	8	8	8	8	7
Thomas Rochford	9	8	N/A	N/A	8	7
Michael Barden	4	2	N/A	N/A	4	2
Adam Hillary	4	3	N/A	N/A	4	3

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Note 1 - Phillip Davies attends Audit and Governance meetings, and Community Investment meetings in an ex-officer capacity.

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 $375,844 (2018 profit: $177,982), which is a 111.2% increase as compared with the previous year. This is due to a reduction of income tax expense (2019: 142,967) compared to (2018: 71,029).

Dividends

A fully franked final dividend of 3 cents per share was declared and paid for the year ended 30 June 2018. The board declared a fully franked dividend of 4 cents per share at the board meeting on 29 July 2019.

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.

Proceeding 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 5 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 23 September 2019.

Phillip Davies
Chairman

Auditor's independence declaration

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

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

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 2019 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 24 September 2019

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019	2018
		$	$
Revenue	2	1,199,329	1,165,907
Expenses			
Employee benefits expense	3	(312,239)	471,852
Depreciation and amortisation	3	(51,528)	(60,927)
Finance costs	3	(15,629)	(29,216)
Bad and doubtful debts expense	3	(124)	(251)
Advertising and marketing expenses		(12,400)	(88,624)
Occupancy expenses		(30,826)	(26,912)
IT expenses		(36,048)	(35,260)
Other expenses		(184,374)	(165,182)
		(643,168)	**(878,224)**
Operating profit before charitable donations and sponsorship		**556,161**	**287,683**
Charitable donations and sponsorships		37,350	(38,672)
Profit before income tax		**518,811**	**249,011**
Income tax expense	4(a)	(142,967)	(71,029)
Profit for the year after income tax		**375,844**	**177,982**
Total comprehensive income attributable to members of the company		**375,844**	**177,982**
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	20.97	9.93

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	171,081	66,968
Trade and other receivables	6	90,994	89,234
Other assets	7	7,780	9,582
Total current assets		**269,855**	**165,784**
Non-current assets			
Property, plant and equipment	8	1,646,189	1,685,000
Intangible assets	9	27,048	38,240
Deferred tax assets	4(d)	3,319	30,657
Total non-current assets		**1,676,556**	**1,753,897**
Total assets		**1,946,411**	**1,919,681**
Liabilities			
Current liabilities			
Trade and other payables	11	80,336	60,743
Current tax liability	4(c)	101,103	-
Borrowings	12	84,363	30,648
Provisions	13	52,832	100,545
Total current liabilities		**318,634**	**191,936**
Non-current liabilities			
Trade and other payables	11	13,158	26,317
Borrowings	12	13,957	422,382
Provisions	13	22	480
Total non-current liabilities		**27,137**	**449,179**
Total liabilities		**345,771**	**641,115**
Net assets		**1,600,640**	**1,278,566**
Equity			
Issued capital	14	798,218	798,218
Retained earnings	15	802,422	480,348
Total equity		**1,600,640**	**1,278,566**

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

Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2018		**798,218**	**480,348**	**1,278,566**
Comprehensive income for the year				
Profit for the year		-	375,844	375,844
Other comprehensive income for the year		-	-	-
		-	**375,844**	**375,844**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(35,847)	(35,847)
Balance at 30 June 2019		**798,218**	**802,422**	**1,600,640**
Balance at 1 July 2016		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 2017		**798,218**	**480,348**	**1,278,566**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,316,779	1,290,997
Payments to suppliers and employees		(760,444)	(958,950)
Interest paid		(15,629)	(29,216)
Interest received		(14,526)	-
Net cash flows provided by operating activities	18b	**526,180**	**302,831**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,625)	(15,767)
Purchase of intangible assets		(11,962)	(20,074)
Net cash flows used in investing activities		**(13,587)**	**(35,841)**
Cash flows from financing activities			
Repayment of borrowings		(354,710)	(465,421)
Dividends paid		(53,770)	(35,847)
Net cash flows from/(used in) financing activities		**(408,480)**	**(501,268)**
Net increase/(decrease) in cash held		**104,113**	**(234,278)**
Cash and cash equivalents at beginning of financial year		66,968	301,246
Cash and cash equivalents at end of financial year	18a	**171,081**	**66,968**

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

Notes to the financial statements

For the year ended 30 June 2019

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 23 September 2019.

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

- 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® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branch 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's 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.

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.

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

Note 1. Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, other than changes in classification, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement ' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

(h) Change in accounting policies

Revenue

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1.Identifying the contract with a customer

2.Identifying the performance obligations

3.Determining the transaction price

4.Allocating the transaction price to the performance obligations

5.Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a)when the entity has a right to receive the income and it can be reliably measured; or

b)upon receipt.

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

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

Note 1. Summary of significant accounting policies (continued)

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through profit and loss (FVTPL)
c) Financial assets at fair value through other comprehensive income (FVTOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

Financial assets at fair value through other comprehensive income
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets
AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Classification and measurement of financial liabilities
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.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9
The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	89,234	89,234
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	87,060	87,060
Borrowings	Amortised cost	Amortised cost	453,030	453,030

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

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	1,198,783	1,165,907
	1,198,783	**1,165,907**
Other revenue		
- other revenue	546	-
	546	-
Total revenue	**1,199,329**	**1,165,907**

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.

Other income
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).

Rendering of services
As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given. The core banking products, as at the end of the financial year included Bendigo Bank branded home loans, term deposits and at call deposits.

Margin
Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission
Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income
Fee income is a share of ‘bank fees and charges’ charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Discretionary Financial Contributions
Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as “Market Development Fund” (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Note 2. Revenue (continued)

Form and Amount of Financial Return
The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

•A change to the products and services identified as 'core banking products and services

•A change as to whether it pays the company margin, commission or fee income on any product or service.

•A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Note 3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	273,123	415,893
- superannuation costs	25,175	37,363
- other costs	13,941	18,596
	312,239	**471,852**
Depreciation and amortisation		
Depreciation		
- buildings	23,618	22,269
- plant and equipment	16,718	18,132
	40,336	**40,401**
Amortisation		
- franchise fees	2,238	3,405
- establishment costs	8,954	17,121
	11,192	**20,526**
Total depreciation and amortisation	**51,528**	**60,927**

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

Note 3. Expenses (continued)	2019 $	2018 $
Finance costs		
- Interest paid	15,629	29,216
Bad and doubtful debts expenses	124	251
Loss on disposal of property, plant and equipment	100	-
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,600	5,240

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 and amortisation

The depreciable amount of all fixed and intangible assets, including buildings 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.

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
Franchise fees	20%	Straight line
Renewal processing fees	20%	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

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	115,629	-
Recoupment of prior year tax losses	16,745	71,562
Deferred tax expense	10,593	(162)
Over provision in respect to prior years	-	(371)
	142,967	**71,029**

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

Note 4. Income tax (continued)

	2019	2018
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% (2018: 27.5%)	142,673	68,478
Add tax effect of:		
- Non-deductible expenses	294	2,922
- Over provision in respect to prior years	-	(371)
Income tax attributable to the entity	**142,967**	**71,029**
The applicable weighted average effective tax rate is:	27.56%	28.52%

	2019	2018
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax paid	(14,526)	-
Current tax	115,629	-
	101,103	-
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	2,095	1,201
Employee provisions	14,535	27,782
Unused tax losses	-	16,745
	16,630	**45,728**
Deferred tax liabilities comprise:		
Property, plant & equipment	13,311	15,071
	13,311	15,071
Net deferred tax asset	**3,319**	**30,657**

	2019	2018
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	29,098	71,170
(Decrease) / increase in deferred tax liabilities	(1,760)	(141)
	27,338	**71,029**

Note 4. Income tax (continued)

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

	2019 $	2018 $
Cash at bank and on hand	**171,081**	**66,968**

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

	2019 $	2018 $
Current		
Trade receivables	**90,994**	**89,234**

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 in accordance with the expected credit loss model. or 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

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.

Note 6. Trade and other receivables (continued)

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
	$	$	$	$	$	$
2019						
Trade receivables	90,994	90,994	-	-	-	-
Total	**90,994**	**90,994**	**-**	**-**	**-**	**-**
2018						
Trade receivables	89,234	89,234	-	-	-	-
Total	**89,234**	**89,234**	**-**	**-**	**-**	**-**

Note 7. Other assets

	2019	2018
	$	$
Prepayments	**7,780**	**9,582**

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.

Note 8. Property, plant and equipment

	2019			2018		
	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	(68,825)	875,872	944,697	(45,207)	899,490
Plant and equipment	161,115	(57,798)	103,317	161,470	(42,960)	118,510
Total property, plant and equipment	**1,772,812**	**(126,623)**	**1,646,189**	**1,773,167**	**(88,167)**	**1,685,000**

Land and buildings

Freehold land and buildings are measured 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.

Note 8. Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis 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 2019 (2018: Nil)

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

	Opening written down value	Additions	Disposals	Impairments / write-offs	Depreciation	Closing written down value
2019	**$**	**$**	**$**	**$**	**$**	**$**
Land	667,000	-	-	-	-	667,000
Buildings	899,490	-	-	-	(23,618)	875,872
Plant and equipment	118,510	1,625	(100)	-	(16,718)	103,317
Total property, plant and equipment	**1,685,000**	**1,625**	**(100)**	**-**	**(40,336)**	**1,646,189**
2018	**$**	**$**	**$**	**$**	**$**	**$**
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**

Note 9. Intangible assets

	2019			2018		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
	$	$	$	$	$	$
Franchise fees	81,192	(75,782)	5,410	81,192	(73,544)	7,648
Establishment/renewal processing fees	154,769	(133,131)	21,638	154,769	(124,177)	30,592
Total intangible assets	**235,961**	**(208,913)**	**27,048**	**235,961**	**(197,721)**	**38,240**

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.

Movements in carrying amounts

	Opening written down value	Additions	Amortisation	Closing written down value
2019	$	$	$	$
Franchise fees	7,648	-	(2,238)	5,410
Establishment/renewal processing fees	30,592	-	(8,954)	21,638
Total intangible assets	**38,240**	**-**	**(11,192)**	**27,048**

2018	$	$	$	$
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**

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.

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

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	11,133	5,591
Other creditors and accruals	69,203	55,152
	80,336	**60,743**
Non-current		
Unsecured liabilities:		
Trade creditors	13,158	26,317
Total trade and other payables	**93,494**	**87,060**

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

	2019 $	2018 $
Current		
Secured liabilities:		
Bank loan	84,363	30,648
Non-current		
Secured liabilities:		
Bank loan	13,957	422,382
Total borrowings	**98,320**	**453,030**

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.

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 2018 is as follows:

Facility Limit:	$700,000
Term:	180 months
Facility Type:	Principal and interest
Balance as at 30 June 2018:	$98,320
Expiry date:	9 January 2029

Interest has been incurred at an average rate of 4.02% (2018:4.62%) on the facility during the year.

Note 13. Provisions

	2019 $	2018 $
Current		
Employee benefits	52,832	100,545
Non-current		
Employee benefits	22	480
Total provisions	**52,854**	**101,025**

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

	2019 $	2018 $
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

	2019 $	2018 $
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.

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

	2019 $	2018 $
Balance at the beginning of the reporting period	480,348	338,213
Profit for the year after income tax	375,844	177,982
Dividends paid	(53,770)	(35,847)
Balance at the end of the reporting period	**802,422**	**480,348**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Prior year final ordinary dividend of 3 cents (2018: 2 cents) per share fully franked at the tax rate of 27.5%.	**53,770**	**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%.	**71,693**	**53,770**
Franking account balance		
Franking credits available for subsequent reporting periods are:		
franking account balance as at the beginning of the financial year	323,796	337,393
franking credits from payment of income tax during the financial year	14,526	-
franking debits from the payment of fully franked dividends	(20,395)	(13,597)
franking account balance as at the end of the financial year	**317,927**	**323,796**
or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the financial year	(27,194)	(20,395)
franking credits that will arise from payment of income tax payable as at the end of the financial year	101,103	-
Net franking credits available	**391,836**	**303,401**

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	20.97	9.93
Earnings used in calculating basic earnings per share	375,844	177,982
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.adjusted for bonus elements in ordinary shares issues during the year.

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

Note 18. Statement of cash flows

	2019 $	2018 $
(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)	171,081	66,968
As per the Statement of Cash Flow	**171,081**	**66,968**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	375,844	177,982
Non-cash flows in profit		
- Depreciation and amortisation	51,528	60,927
- Net loss on disposal of property, plant & equipment	100	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,760)	7,743
- (increase) / decrease in prepayments and other assets	1,802	181
- (Increase) / decrease in deferred tax asset	27,338	71,029
- Increase / (decrease) in trade and other payables	18,396	(17,085)
- Increase / (decrease) in current tax liability	101,103	-
- Increase / (decrease) in provisions	(48,171)	2,054
Net cash flows from operating activities	**526,180**	**302,831**

(c) Credit standby arrangement and loan facilities

The company has a loan facility amounting to $600,000 (2018: $1,080,000). This may be terminated at any time at the option of the bank. At 30 June 2019, $98,320 of this facility was used (2018: $453,030). Variable interest rates apply to this facility.

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:

	2019 $	2018 $
Short-term employee benefits	56,723	39,132
Post-employment benefits	3,277	868
Total key management personnel compensation	**60,000**	**40,000**

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

Note 19. Key management personnel and related party disclosures (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.

(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

No key management personnel or related party has entered into any contracts with the company.

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 2019 there have been minimal benefits received by the Directors from the Directors Privileges 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:

	2019 $	2018 $
Phillip Davies	-	-
Paula Davey	2,500	2,500
Eric Thomas	3,003	3,003
Jason Talbot	-	-
Lilian Look	-	-
Diana Nelson	-	-
Olivia Dolezal (Appointed 27 August 2018)	-	-
Thomas Rochford (Appointed 27 August 2018)	-	-
Michael Barden (Appointed 25 February 2019)	-	-
Adam Hillary (Resigned 2 November 2018)	5,000	5,000
	10,503	**10,503**

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. Community Enterprise Foundation™

The Community Enterprise FoundationTM (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which **Community Bank®** branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise FoundationTM (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2019 $	2018 $
Opening Balance	179,168	213,103
Contributions	-	-
Grants Paid	(56,558)	(38,125)
Interest	3,380	4,190
Management fees	-	-
Balance available for distribution in future periods	**125,990**	**179,168**

Note 21. 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 22. Contingent liabilities and contingent assets

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

Note 23. 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 (2018: 100%).

Note 24. Company details

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

Note 25. 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.

Note 25. 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 9 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Notes	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	171,081	66,968
Trade and other receivables	6	90,994	89,234
Total financial assets		**262,075**	**156,202**
Financial liabilities			
Trade and other payables	11	80,336	60,743
Borrowings	12	98,320	453,030
Total financial liabilities		**178,656**	**513,773**

(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 (2018: 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 25. Financial instrument risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	%	171,081	171,081	-	-
Trade and other receivables		90,994	90,994	-	-
Total anticipated inflows		**262,075**	**262,075**	-	-
Financial liabilities					
Trade and other payables		80,336	80,336	-	-
Borrowings	4.02%	152,683	84,363	68,320	-
Total expected outflows		**233,019**	**164,699**	**68,320**	-
Net inflow / (outflow) on financial instruments		**29,056**	**97,376**	**(68,320)**	**-**

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)**

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

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 and cash and cash equivalents.

Note 25. Financial instrument risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. 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.

	2019		2018	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	1,711	1,711	670	670
+/- 1% in interest rates (interest expense)	(983)	(983)	(4,530)	(4,530)
	728	**728**	**(3,860)**	**(3,860)**

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 23 September 2019.

Independent audit report

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

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

INDEPENDENT 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 2019, 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 2019 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 Group 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

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 2019, 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: 24 September 2019

Kew & Kew East **Community Bank**® Branch
643 High Street, Kew East VIC 3102
Phone: 9859 7699 Fax: 9859 6944

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

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