



# Annual Report 2014

Kew East Financial  
Services Limited

ABN 91 096 301 058

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

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# Chairmens' report

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For year ending 30 June 2014

Dear Shareholder,

Last year presented Kew East Financial Services Limited (KEFSL) with some magnificent opportunities; there have been substantial challenges as well.

Our new Kew **Community Bank**® Branch has been progressing steadily but not at the rate initially expected. Its progress has been slowed largely by factors beyond our control. The 'Restoring the Balance' program applied by Bendigo and Adelaide Bank has had an immediate effect on our profitability. Another unexpected change was the establishment of a direct competitor in the shop next door!

Despite the negatives we are confident that the branch will reach it's expected potential.

During the year a prime site became available, in the Kew East centre. The Board resolved to try and purchase it, as we were unable to secure a lease, at our present location aligned to our next franchise agreement.

We were fortunate enough to secure the site at auction, Architects have been engaged and our designs are currently before Council. Although there are substantial costs involved, it is a very valuable asset that will appreciate and give our branch a permanent future home.

This year we continued our community activities by supporting many of our existing partners and we have started some exciting new initiatives. Our Defibrillator program is designed to provide our community with easy access to life saving technology.

We have set aside \$100,000 dollars for an initial three-year period. There are machines in both branches and many community sites already, and the demand is strong from other groups.

As well as developing the new property, the Board have been busy looking at Board composition and succession. Internal and external Director surveys have been completed, in an effort to improve Board performance and efficiency, to ensure a sound future for our company, allowing us to continue our robust community support.

Our excellent staff have been engaged in ongoing training from Bendigo and Adelaide Bank.

The Fearless Leadership course was provided by the Board to all staff to enhance performance and harmony.


All staff are encouraged to enroll for any training that will enhance their skills; this is to continue our policy of continuous staff advancement. We wish to commend our loyal staff for their excellent performance during a particularly challenging year.

The Board have resolved to issue a prudent 2c per share dividend. This has been reduced mainly due to very difficult trading conditions. Overall our company is in a very sound condition and we look forward to stronger financial performance and to many more rewarding Community ventures.

Yours faithfully,



**Rod Albury**  
Chairmen



**Allen Borella**

# Community contributions 2013/14

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12 sponsorships given worth \$28,364.

Boroondara Rugby Club	Kew Festival
Hummingbirds Netball Team	Kew Toy Library
Kew Elgar Whitehorse Hockey Club	Kiwi-Hawthorn RUFC
Kew Colts	Rotary Club of North Balwyn
Kew Croquet Club	Swinburne University Football Club
Kew East Primary School	Zelman Orchestra

Community grants worth \$170,006 were given.

- 24 community organisations received grants worth \$132,206
- 13 community organisations received defibrillators worth \$37,800

1st North Balwyn Scout Group	Eva Tilley Memorial Home	Our Lady of Good Counsel School Deepdene
Andale School	Inner East Community Health Service Inc.	St Bridget's Primary School
Anxiety Disorders Association of Victoria Inc	J J McMahon Memorial kindergarten	U3A Deepdene
Belford Oaks Community Children's Centre	Kew Band Inc	UCA Presbytery of Yarra Yarra
Boroondara Pre School	Kew High School	Villa Alba Museum Incorporated
Davis Street Kindergarten	Kew Neighbourhood Learning Centre	Villa Maria Society
Deepdene Playgroup	North Balwyn Playcentre Inc	Youth Scholarship
East Kew Uniting Church	Open Door Community Singers	Zelman Memorial Symphony Orchestra Inc
DEFIB PROGRAM		

# Community contributions 2013/14 (continued)

Progressive community contributions.

Financial year	Community grants \$	Community Enterprise Foundation™ \$	Sponsorships \$	Donations \$	Total* \$
2002/03				6,000#	6,000
2003/04					0
2004/05			4,340		4,340
2005/06	6,400		15,170		21,570
2006/07	18,500	40,900	7,075		66,475
2007/08	26,552	50,000	36,750		86,750
2008/09	59,667	145,000	40,000		185,000
2009/10	121,630	272,727	17,672		290,399
2010/11	94,357	250,000	54,078		304,078
2011/12	156,751	200,000	27,183		227,183
2012/13	153,952	100,000	37,443		137,443
2013/14	170,006		28,364		28,364
<b>Total paid to date</b>	<b>807,815</b>	<b>1,058,627</b>	<b>268,075</b>	<b>6,000</b>	<b>1,332,702</b>

# Donation by Bendigo and Adelaide Bank in recognition of growth in the company's business in the first two years  
Community Grants paid in November 2005, 2006 through KEFS account  
Community Grants paid through the Community Enterprise Foundation™ in November 2007, 2008, 2009, 2010, 2011, 2012, 2013  
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 30/6/2014 - \$312,865.15

# Manager's report

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For year ending 30 June 2014

Welcome to the first full financial trading year for Kew **Community Bank**<sup>®</sup> Branch and 13 years for the parent branch Kew East **Community Bank**<sup>®</sup> Branch.

The 2014 financial year has presented challenges related to low interest rates.

Borrowers have benefitted from lower rates but also been conservative in their approach to increase their debts on new assets or investments. Depositors, including self-funded retirees in particular, have seen their earnings from interest reduced. This has forced many deposit customers to look for higher returns rather than having their funds deposited in our branches.

Overall Kew and Kew East **Community Bank**<sup>®</sup> Branches have combined footings of \$184.4 million, split up as follows:

- Kew East **Community Bank**<sup>®</sup> Branch footings as at 30 June 2014 were \$146.8mil, made up of \$53 million in lending and \$93.8 million in deposits. Even though we had a solid year in lending approvals of \$18 million plus, we managed to grow the lending book by only \$3 million due to the massive pay down of debt by customers as stated earlier together with a mature business, we're also seeing a greater amortisation of our lending balance sheet.
- Kew **Community Bank**<sup>®</sup> Branch footings as at 30 June 2014 were \$37.6 million, made up of \$16.1 million in lending and \$21.5 million in deposits. Unfortunately we've seen little growth in the lending book for this financial year, however it looks as though things might be starting to pick up with more enquiries and applications being received in the last few months as advised by Chris Vouk (Manager). Deposit balances had a healthy increase thanks partially to some treasury deposit funds.

I would like to sincerely thank yet again, our loyal customers, who without their ongoing support, generating our profits, none of these wonderful community projects or sponsorships would be possible. I would like to thank the Board of Directors for their volume of work and support provided to me. Last but not least our dedicated and loyal staff whom I work alongside and especially our shareholders, whose support has made the last 13 years possible.

I remain extremely proud to work for this organisation and more importantly the substantial contribution it makes to our community.

The model is simple – up to 80% of our profits are invested back into our local community, therefore the more support we receive the greater support/outcome we are able to return through partnering with our local community.



**George Prodromidis**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**<sup>®</sup> network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**<sup>®</sup> network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**<sup>®</sup> network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**<sup>®</sup> branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**<sup>®</sup> network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**<sup>®</sup> branches – 305
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

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

# Bendigo and Adelaide Bank report (continued)

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In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

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

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

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

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



**Robert Musgrove**  
**Executive Community Engagement**



# Directors' report

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For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

## 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:

Name and position held	Qualifications	Experience and other Directorships
<b>Rod Albury</b> Appointed 18 October 2004 Chairman to 31 December 2013 Resigned 30 June 2014	T.P.T.C; B Ed; Dip Art; F.R.M.I.T.	Retired, former school principal, past president and member of Kew Community Festival Committee
<b>Allen Borella</b> Appointed 22 March 2001 Chairman from 1 January 2014 Chair of Personnel Committee to 31 December 2013	A Grade Mechanic	Runs own automotive business
<b>Paula Davey</b> Appointed 28 April 2010 Chair of Community Engagement Committee		Former local councillor, extensive connections with community organisations, consultant and facilitator
<b>Kenneth Franks</b> Appointed 22 March 2001 Chair of Business Development Committee	Land Surveyor	Property investor, past chair of Harp Village Business Association Business Association
<b>Ric Hallgren</b> Appointed 6 August 2013 Chair of Personnel Committee from from 5 February 2014	Master of Science and Bachelor of Commerce	Semi retired, ex owner and General Manager/Sales Manager of a Professional Services Consulting Firm
<b>Mark Heffernan</b> Appointed 2 June 2008 Treasurer from 7 July 2008 Chair of Finance Committee	CPA	Certified Practising Accountant
<b>Ross McDermott</b> Appointed 10 March 2010 Company Secretary from 4 September 2010	B Com CA	Chartered Accountant, Tax Agent, Company Liquidator

# Directors' report (continued)

## Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
<b>Diana Nelson</b> Appointed 23 October 2013	B Civ Eng (Hons) Post grad Dip of Management MBA	Runs a boutique Project Management Consultancy Ex President JJ McMahon Memorial Kindergarten Board member of Tweddle Early Parenting Centre Founder and Director of Mwembe Foundation
<b>Eric Thomas</b> Appointed 3 May 2001 Chair of Audit and Governance Committee	FCA	Chartered Accountant

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

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

## Principal activities

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

There have 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 \$10,678 (2013: \$172,197), which is a 94% decrease as compared with the previous year. The net assets of the company have increased to \$1,389,121 (2013: \$1,378,443).

The company's operating results for the half-year have been impacted by the opening of a second branch at Kew during February 2013, with costs of a one-off nature and initial losses during the establishment phase incurred. The Kew East Branch continues to operate in line with expectations.

The company purchased the property at 643 High Street, Kew East via auction on 29 October 2013 for \$860,000 plus costs. The property will be used as a permanent home for the Kew East **Community Bank®** and other possible activities.

## Dividends

	Year ended 30 June 2014	
	Cents per share	\$
Final dividends recommended:	2	35,847
Dividends paid in the year:		
- As recommended in the prior year report	4	71,693

## Significant changes in the state of affairs

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

# Directors' report (continued)

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## Events subsequent to reporting date

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

## Operating and financial review

Results for the year have suffered as a result of two primary factors:

- The company opened a branch at Kew, which has not yet achieved a positive financial result. The company is supporting the branch at Kew via profits from the Branch at East Kew and from reserves.
- Bendigo and Adelaide Bank Limited has adjusted the profit share contribution pursuant to the franchise agreement, so that the company receives less income from banking activities.

Whilst the revenue and expenses have been affected by the foregoing, the asset position of the company has been strengthened by acquisition of real estate at 643 High Street, Kew East. The Kew East Branch will ultimately operate from this site, saving rental costs. In addition capital growth from the property is anticipated.

The major issue confronting the company in the immediate term involves ensuring that the Kew branch becomes profitable. The model from which the Kew East branch achieved profitability, involving the Community, is being duplicated at Kew, and will continue as our strategy.

The company believes that prospects for future financial years remain strong.

## Remuneration report

### Remuneration policy

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

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

### Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

# Directors' report (continued)

## Remuneration report (continued)

### Remuneration benefits and payments (continued)

Director Remuneration for the year ended 30 June 2014	Primary benefits fees and superannuation	
	2014 \$	2013 #
Rod Albury (Resigned 30 June 2014)	7,042	13,333
Allen Borella	7,042	-
Paula Davey	4,084	4,444
Kenneth Franks	4,084	4,444
Ric Hallgren (Appointed 6 August 2013)	3,141	-
Mark Heffernan	4,084	4,444
Ross McDermott	4,084	4,444
Diana Nelson (Appointed 23 October 2013)	2,355	-
Eric Thomas	4,084	4,444
	<b>40,000</b>	<b>35,553</b>

The company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. For the year ended 30 June 2014 there have been no benefits received by the Directors from the Directors Privilege Package.

### Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

# Directors' report (continued)

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## Directors' meetings

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

Director	Board meetings #	Audit and Governance Committee meetings #
Rod Albury (Resigned 30 June 2014)	11 (12)	N/A
Allen Borella	9 (12)	N/A
Paula Davey	11 (12)	N/A
Kenneth Franks	11 (12)	5 (6)
Ric Hallgren (Appointed 6 August 2013)	10 (11)	N/A
Mark Heffernan	10 (12)	N/A
Ross McDermott	11 (12)	9 (9)
Diana Nelson (Appointed 23 October 2013)	8 (9)	7 (7)
Eric Thomas	11 (12)	9 (9)

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that committee.

## Likely developments

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

## Environmental regulations

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

## Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

## Company Secretary

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

## Non audit services

The 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:

# Directors' report (continued)

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## **Non audit services (continued)**

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

## **Auditor independence declaration**

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

Signed in accordance with a resolution of the Board of Directors at Kew East on 19 September 2014.

A handwritten signature in dark ink, appearing to read 'ABL', with a horizontal line underneath it.

**Allen Borella**  
**Director**

# Auditor's independence declaration

19 September 2014



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

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rsd@rsdadvisors.com.au  
www.rsdadvisors.com.au

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

Dear Directors

To the Directors of Kew East Financial Services Limited

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read "P. P. Delahunty".

**P. P. Delahunty**  
**Partner**  
**Richmond Sinnott & Delahunty**

# Financial statements

## Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	1,352,300	1,390,915
Employee benefits expense	3	(811,978)	(581,229)
Depreciation and amortisation expense	3	(46,254)	(38,918)
Finance costs	3	(13,678)	-
Bad and doubtful debts expense	3	(136)	(61)
Rental expense		(147,619)	(136,091)
Other expenses	3	(286,124)	(250,340)
<b>Operating profit before charitable donations and sponsorships</b>		<b>46,511</b>	<b>384,276</b>
Charitable donations and sponsorships		(28,364)	(137,443)
<b>Profit before income tax expense</b>		<b>18,147</b>	<b>246,833</b>
Income tax expense	4	7,469	74,636
<b>Profit for the year</b>		<b>10,678</b>	<b>172,197</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>10,678</b>	<b>172,197</b>
Profit attributable to members of the company		10,678	172,197
<b>Total comprehensive income attributable to members of the company</b>		<b>10,678</b>	<b>172,197</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	0.60	9.61
- diluted for profit for the year	23	0.60	9.61

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of financial position as at 30 June 2014

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	821,848	1,150,489
Trade and other receivables	7	100,801	122,076
Investments	8	19,386	17,111
Current tax asset	4	15,889	-
<b>Total current assets</b>		<b>957,924</b>	<b>1,289,676</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,110,041	194,124
Deferred tax asset	4	42,733	33,782
Intangible assets	10	81,500	107,500
<b>Total non-current assets</b>		<b>1,234,274</b>	<b>335,406</b>
<b>Total assets</b>		<b>2,192,198</b>	<b>1,625,082</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	72,237	53,510
Current tax payable	4	-	6,245
Borrowings	12	43,560	-
Provisions	13	135,058	186,884
<b>Total current liabilities</b>		<b>250,855</b>	<b>246,639</b>
<b>Non current liabilities</b>			
Borrowings	12	552,222	-
<b>Total non current liabilities</b>		<b>552,222</b>	<b>-</b>
<b>Total liabilities</b>		<b>803,077</b>	<b>246,639</b>
<b>Net assets</b>		<b>1,389,121</b>	<b>1,378,443</b>
<b>Equity</b>			
Issued capital	14	798,218	798,218
Retained earnings	15	590,903	580,225
<b>Total equity</b>		<b>1,389,121</b>	<b>1,378,443</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2012</b>		<b>482,510</b>	<b>523,147</b>	<b>1,005,657</b>
Total comprehensive income for the year		-	172,197	172,197
Transactions with owners, in their capacity as owners				
Shares issued during the year		344,797	-	344,797
Costs of issuing shares		(29,089)	-	(29,089)
Dividends paid or provided	24	-	(115,119)	(115,119)
<b>Balance at 30 June 2013</b>		<b>798,218</b>	<b>580,225</b>	<b>1,378,443</b>
<b>Balance at 1 July 2013</b>		<b>798,218</b>	<b>580,225</b>	<b>1,378,443</b>
Total comprehensive income for the year		-	10,678	10,678
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	-	-
<b>Balance at 30 June 2014</b>		<b>798,218</b>	<b>590,903</b>	<b>1,389,121</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,464,989	1,482,208
Payments to suppliers and employees		(1,368,769)	(1,233,129)
Interest paid		(13,678)	-
Interest received		39,453	62,004
Income tax paid		(38,554)	(106,372)
<b>Net cash provided by operating activities</b>	<b>16(a)</b>	<b>83,441</b>	<b>204,711</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(936,171)	(140,237)
Purchase of intangible assets		-	(80,000)
<b>Net cash flows used in investing activities</b>		<b>(936,171)</b>	<b>(220,237)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		600,000	-
Repayment of borrowings		(4,218)	-
Proceeds from issues of shares		-	344,797
Payment for share issue costs		-	(29,089)
Dividends paid	24	(71,693)	(43,426)
<b>Net cash provided by financing activities</b>		<b>524,089</b>	<b>272,282</b>
<b>Net increase/(decrease) in cash held</b>		<b>(328,641)</b>	<b>256,756</b>
Cash and cash equivalents at beginning of financial year		1,150,489	893,733
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>821,848</b>	<b>1,150,489</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2014

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 19 September 2014.

## 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

### **(b) Income tax**

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.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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 measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

### **(c) Fair value of assets and liabilities**

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(c) Fair value of assets and liabilities (continued)**

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

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

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

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

### **(d) Property, plant and equipment**

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

#### Property

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

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

#### Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. 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.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### Depreciation

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

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Buildings	2.5%
Office furniture and equipment	5 - 33%
Fixtures and fittings	5 - 33%

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

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

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

### (e) Leases

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

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

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

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

### (f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. 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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(g) Goods and services tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

### **(h) Employee benefits**

#### Short-term employee benefits

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

#### 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.

The company's obligation 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.

### **(i) Intangibles**

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

### **(j) Cash and cash equivalents**

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

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(k) Revenue**

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

Interest, dividend and fee revenue is recognised when earned.

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

### **(l) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **(m) Trade and other payables**

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

### **(n) Borrowing costs**

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

### **(o) New and amended accounting policies adopted by the company**

#### Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(o) New and amended accounting policies adopted by the company (continued)**

#### Employee benefits (continued)

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

#### Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

### **(p) New accounting standards for application in future periods**

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

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

#### **(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).**

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

#### **(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).**

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

#### **(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).**

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(q) Loans and borrowings**

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

### **(r) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### **(s) Share capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **(t) Comparative figures**

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

### **(u) Critical accounting estimates and judgements**

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

#### Estimation of useful lives of assets

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

#### Fair value assessment of non-current physical assets

The new 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 required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(u) Critical accounting estimates and judgements (continued)**

#### Income tax

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

#### Impairment

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

### **(v) Financial instruments**

#### Initial recognition and measurement

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

#### Classification and subsequent measurement

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

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

#### **(i) Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### **(ii) Financial liabilities**

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

#### Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (v) Financial instruments (continued)

#### Impairment (continued)

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### Derecognition of financial instruments

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

	2014 \$	2013 \$
<b>Note 2. Revenue and other income</b>		
Revenue		
- services commissions	1,319,433	1,348,953
	<b>1,319,433</b>	<b>1,348,953</b>
Other revenue		
- interest received	30,593	38,046
- other revenue	2,274	3,916
	<b>32,867</b>	<b>41,962</b>
<b>Total revenue</b>	<b>1,352,300</b>	<b>1,390,915</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 3. Expenses</b>		
Employee benefits expense		
- wages and salaries	693,996	496,657
- superannuation costs	61,607	44,171
- workers compensation	1,663	1,482
- other costs	54,712	38,919
	<b>811,978</b>	<b>581,229</b>
Depreciation of non-current assets:		
- fixtures and fittings	17,047	13,126
- office furniture and equipment	3,207	9,126
	<b>20,254</b>	<b>22,252</b>
Amortisation of non-current assets:		
- intangible assets	26,000	16,666
<b>Total depreciation and amortisation expense</b>	<b>46,254</b>	<b>38,918</b>
Finance costs:		
- interest paid	13,678	-
Bad debts	136	61
Other Expenses		
- accounting fees	45,685	39,066
- IT costs	55,369	31,849
- marketing	23,588	21,334
- insurance	22,590	17,114
- other expenses	138,892	140,977
	<b>286,124</b>	<b>250,340</b>

## Note 4. Income tax expense

a. The components of tax expense comprise

- current tax expense	16,420	75,120
- deferred tax expense relating to the origination and reversal of temporary differences	(8,951)	(814)
- adjustments for under provision of current income tax of previous years	-	330
	<b>7,469</b>	<b>74,636</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 4. Income tax expense (continued)

- b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30% (2013: 30%)	5,444	74,050
Add tax effect of:		
- prior year under provision for tax	-	330
- non-deductible expenses	4,800	2,000
- other deductible expenses	(2,775)	(1,744)
<b>Current income tax expense</b>	<b>7,469</b>	<b>74,636</b>
<b>Income tax attributable to the entity</b>	<b>7,469</b>	<b>74,636</b>
The applicable weighted average effective tax rate is	41.16%	30.24%
<b>Tax liabilities/(asset)</b>		
<b>Current tax payable/(refundable)</b>	<b>(15,889)</b>	<b>6,245</b>
<b>Deferred tax asset</b>		
<b>Future income tax benefits arising from timing differences</b>	<b>42,733</b>	<b>33,782</b>

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

## Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,620	4,700
- Share registry services	-	7,473
	<b>4,620</b>	<b>12,173</b>

## Note 6. Cash and cash equivalents

Cash at bank and on hand	80,505	96,033
Short-term bank deposits	741,343	1,054,456
	<b>821,848</b>	<b>1,150,489</b>

The effective interest rate on short-term bank deposits was 3.76% (2013: 4.27%); these deposits have an average maturity of 90 days.

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 7. Trade and other receivables

### Current

Trade debtors	95,334	107,770
Other assets	5,467	14,306
	<b>100,801</b>	<b>122,076</b>

### Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and “loans” (see Note 12).

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	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
<b>2014</b>						
Trade receivables	95,334	-	-	-	-	95,334
Other receivables	5,467	-	-	-	-	5,467
<b>Total</b>	<b>100,801</b>	-	-	-	-	<b>100,801</b>
<b>2013</b>						
Trade receivables	107,770	-	-	-	-	107,770
Other receivables	14,306	-	-	-	-	14,306
<b>Total</b>	<b>122,076</b>	-	-	-	-	<b>122,076</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 8. Investments</b>		
Units in managed funds - at cost	15,000	15,000
Gain in value	4,386	2,111
	<b>19,386</b>	<b>17,111</b>

## Note 9. Property, plant and equipment

### Land

At cost	667,000	-
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### Buildings

At cost	269,171	-
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### Office furniture and equipment

At cost	65,502	65,502
Less accumulated depreciation	(46,820)	(43,613)
	<b>18,682</b>	<b>21,889</b>

### Fixtures and fittings

At cost	252,350	252,350
Less accumulated depreciation	(97,162)	(80,115)
	<b>155,188</b>	<b>172,235</b>

<b>Total written down amount</b>	<b>1,110,041</b>	<b>194,124</b>
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### Movements in carrying amounts

#### Land

Balance at the beginning of the reporting period	-	-
Additions	667,000	-
Disposals	-	-
Depreciation expense	-	-
<b>Balance at the end of the reporting period</b>	<b>667,000</b>	-

#### Buildings

Balance at the beginning of the reporting period	-	-
Additions	269,171	-
Disposals	-	-
Depreciation expense	-	-
<b>Balance at the end of the reporting period</b>	<b>269,171</b>	-



# Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Property, plant and equipment (continued)		
<b>Office furniture and equipment</b>		
Balance at the beginning of the reporting period	21,889	8,615
Additions	-	22,400
Disposals	-	-
Depreciation expense	(3,207)	(9,126)
<b>Balance at the end of the reporting period</b>	<b>18,682</b>	<b>21,889</b>
<b>Fixtures and fittings</b>		
Balance at the beginning of the reporting period	172,235	67,523
Additions	-	117,838
Disposals	-	-
Depreciation expense	(17,047)	(13,126)
<b>Balance at the end of the reporting period</b>	<b>155,188</b>	<b>172,235</b>
<b>Total written down amount</b>	<b>1,110,041</b>	<b>194,124</b>

## Note 10. Intangible assets

### Franchise fee

At cost	70,000	70,000
Less accumulated amortisation	(58,000)	(54,000)
	<b>12,000</b>	<b>16,000</b>

### Establishment/renewal processing fee

At cost	110,000	110,000
Less accumulated amortisation	(40,500)	(18,500)
	<b>69,500</b>	<b>91,500</b>

<b>Total intangible assets</b>	<b>81,500</b>	<b>107,500</b>
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### Movements in carrying amounts

#### Franchise fee

Balance at the beginning of the reporting period	16,000	8,834
Additions	-	10,000
Disposals	-	-
Amortisation expense	(4,000)	(2,834)
<b>Balance at the end of the reporting period</b>	<b>12,000</b>	<b>16,000</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 10. Intangible assets (continued)		
<b>Establishment/renewal processing fee</b>		
Balance at the beginning of the reporting period	91,500	35,333
Additions	-	70,000
Disposals	-	-
Amortisation expense	(22,000)	(13,833)
<b>Balance at the end of the reporting period</b>	<b>69,500</b>	<b>91,500</b>
<b>Total written down amount</b>	<b>81,500</b>	<b>107,500</b>

## Note 11. Trade and other payables

### Current

Unsecured liabilities:		
Trade creditors	23,898	7,574
Other creditors and accruals	48,339	45,936
	<b>72,237</b>	<b>53,510</b>

## Note 12. Borrowings

### Current

Business loans	43,560	-
<b>Non-current</b>		
Business loans	552,222	-
<b>Total borrowings</b>	<b>595,782</b>	-

The company has entered into two loan facilities, both secured by first registered mortgage over the property at 643 High Street, Kew East. The terms of each loan facility is as follows:

Facility Limit:	\$400,000	\$200,000
Term:	180 months	180 months
Facility Type:	Principal and interest	Principal and interest

Interest has been incurred at an average rate of 5.50% across the two facilities.

# Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 13. Provisions</b>		
Employee benefits	135,058	115,191
Dividends	-	71,693
	<b>135,058</b>	<b>186,884</b>
<b>Movement in employee benefits</b>		
Opening balance	115,191	94,591
Additional provisions recognised	62,071	53,098
Amounts utilised during the year	(42,204)	(32,498)
<b>Closing balance</b>	<b>135,058</b>	<b>115,191</b>
<b>Current</b>		
Annual leave	75,825	62,445
Long-service leave	59,233	52,746
Dividends	-	71,693
	<b>135,058</b>	<b>186,884</b>

## Provision for employee benefits

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

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

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

	2014 \$	2013 \$
<b>Note 14. Share capital</b>		
1,792,327 Ordinary shares	827,307	827,307
Less: Equity raising costs	(29,089)	(29,089)
	<b>798,218</b>	<b>798,218</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 14. Share capital (continued)

### Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	1,792,327	1,447,530
Shares issued during the year	-	344,797
<b>At the end of the reporting period</b>	<b>1,792,327</b>	<b>1,792,327</b>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

### Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 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.

	2014 \$	2013 \$
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## Note 15. Retained earnings

Balance at the beginning of the reporting period	580,225	523,147
Dividends paid and payable	-	(115,119)
Profit after income tax	10,678	172,197
<b>Balance at the end of the reporting period</b>	<b>590,903</b>	<b>580,225</b>

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 16. Statement of cash flows

### (a) Reconciliation of profit after tax to net cash provided from operating activities

Profit after income tax	10,678	172,197
Non cash items		
- Depreciation	20,254	22,252
- Amortisation	26,000	16,666
- Gain in value of investment	(2,275)	(3,433)
Changes in assets and liabilities		
- (Increase) decrease in receivables	21,275	22,226
- (Increase) decrease in current tax asset	(15,889)	-
- (Increase) decrease in deferred tax asset	(8,951)	(816)
- Increase (decrease) in payables	18,727	(14,061)
- Increase (decrease) in provisions	19,867	20,600
- Increase (decrease) in current tax payable	(6,245)	(30,920)
<b>Net cash flows from operating activities</b>	<b>83,441</b>	<b>204,711</b>

### (b) Credit standby arrangement and loan facilities

The company has loan facilities amounting to \$600,000 (2013: \$ -). This may be terminated at any time at the option of the bank. At 30 June 2014, \$595,782 of this facility was used (2013: \$ -). Variable interest rates apply to these loan facilities.

	2014 \$	2013 \$
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## Note 17. Leases

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- no later than 12 months	112,475	112,475
- between 12 months and 5 years	143,940	256,415
- greater than 5 years	-	-
	<b>256,415</b>	<b>368,890</b>

The company has two property leases which are non-cancellable with 5 year terms, and rent payable monthly in advance and annual cpi increases each year. The leases have 5-year extension options available.

# Notes to the financial statements (continued)

## Note 18. Related party transactions

The company's main related parties are as follows:

### (a) Key management personnel

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

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

	2014 \$	2013 \$
Short-term employee benefits	38,808	34,452
Post-employment benefits	1,192	1,101
<b>Total key management personnel compensation</b>	<b>40,000</b>	<b>35,553</b>

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman 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.

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

The company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. For the year ended 30 June 2014 there have been no benefits received by the Directors from the Directors Privilege Package.

# Notes to the financial statements (continued)

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## Note 18. Related party transactions (continued)

### (d) Key management personnel shareholdings

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

	2014	2013
Rod Albury (Resigned 30 June 2014)	10,000	10,000
Allen Borella	12,503	12,503
Paula Davey	2,500	2,500
Kenneth Franks	15,000	15,000
Ric Hallgren (Appointed 6 August 2013)	-	-
Mark Heffernan	4,000	4,000
Ross McDermott	6,000	6,000
Diana Nelson (Appointed 23 October 2013)	-	-
Eric Thomas	3,003	3,003

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

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

## Note 19. Events after the reporting period

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

## Note 20. Contingent liabilities and assets

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

## Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Boroondara, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

## Note 22. Company details

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

# Notes to the financial statements (continued)

	2014 \$	2013 \$
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## Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Profit after income tax expense</b>	<b>10,678</b>	<b>172,197</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>1,792,327</b>	<b>1,792,327</b>

## Note 24. Dividends paid or provided for on ordinary shares

### (a) Dividends paid during the year

(i) Previous year final		
<b>Franked dividends - 4 cents per share (2013: 3 cents per share)</b>	<b>71,693</b>	<b>43,426</b>

### (b) Dividends proposed and recognised as a liability

(i) Current year final		
<b>Franked dividends - Nil cents per share (2013: 4 cents per share)</b>	<b>-</b>	<b>71,693</b>

### (c) Dividends proposed and not recognised as a liability

(i) Current year final		
<b>Franked dividends - 2 cents per share (2013: Nil cents per share)</b>	<b>35,847</b>	<b>-</b>

The tax rate at which dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at a rate of 30% (2013: 30%).

The dividend of 4 cents per share, totalling \$71,693, was provided for during the financial year ended 30 June 2013, but paid during the current financial year on 8 November 2013. This creates a mismatch between the Statement of changes in equity and Statement of cash flows. The Statement of changes in equity includes dividends in the period they were paid and/or provided for. The Statement of cash flows only includes dividends in the period they were physically paid.



# Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 24. Dividends paid or provided for on ordinary shares (continued)		
<b>(d) Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
Franking account balance as at the end of the financial year	376,326	368,498
Franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(15,889)	6,245
Franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	(30,726)
<b>Franking credits available for future financial reporting periods:</b>	<b>360,437</b>	<b>344,017</b>
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	(15,363)	-
<b>Net franking credits available</b>	<b>345,074</b>	<b>344,017</b>

## Note 25. Fair value measurements

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

- investments

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

### a. Fair value hierarchy

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

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

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

# Notes to the financial statements (continued)

## Note 25. Fair value measurements (continued)

### a. Fair value hierarchy (continued)

#### Valuation techniques

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

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

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

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

	Note	30 June 2014			
		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Managed investments (fair value through profit or loss):					
- financial sector		19,386	-	-	19,386
<b>Total financial assets recognised at fair value on a recurring basis</b>		<b>19,386</b>	<b>-</b>	<b>-</b>	<b>19,386</b>
<b>Non-recurring fair value measurements</b>		-	-	-	-

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2013: no transfers).

# Notes to the financial statements (continued)

## Note 26. Financial risk management

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

	Note	2014 \$	2013 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	821,848	1,150,489
Trade and other receivables	7	100,801	122,076
Investments	8	19,386	17,111
<b>Total financial assets</b>		<b>942,035</b>	<b>1,289,676</b>
<b>Financial liabilities</b>			
Trade and other payables	11	72,237	53,510
Borrowings	12	595,782	-
<b>Total financial liabilities</b>		<b>668,019</b>	<b>53,510</b>

### 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, foreign currency 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.

#### **(a) Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: 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.

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (a) Credit risk (continued)

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.

	2014 \$	2013 \$
Cash and cash equivalents:		
<b>A rated</b>	<b>821,848</b>	<b>1,150,489</b>

### (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.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial liabilities due</b>					
Trade and other payables	11	72,237	72,237	-	-
Loans and borrowings	12	595,782	43,560	174,240	377,982
<b>Total expected outflows</b>		<b>668,019</b>	<b>115,797</b>	<b>174,240</b>	<b>377,982</b>
<b>Financial assets - realisable</b>					
Cash and cash equivalents	6	821,848	821,848	-	-
Trade and other receivables	7	100,801	100,801	-	-
Investments	8	19,386	19,386	-	-
<b>Total anticipated inflows</b>		<b>942,035</b>	<b>942,035</b>	<b>-</b>	<b>-</b>
<b>Net inflow/(outflow) on financial instruments</b>		<b>274,016</b>	<b>826,238</b>	<b>(174,240)</b>	<b>(377,982)</b>

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (b) Liquidity risk (continued)

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

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

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

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

#### Sensitivity analysis

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

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

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (b) Liquidity risk (continued)

#### Sensitivity analysis (continued)

	Profit \$	Equity \$
<b>Year ended 30 June 2014</b>		
+/- 1% in interest rates		
Interest income	8,218	8,218
Interest expense	(5,958)	(5,958)
	<b>2,261</b>	<b>2,261</b>
<b>Year ended 30 June 2013</b>		
+/- 1% in interest rates		
Interest income	11,505	11,505
Interest expense	-	-
	<b>11,505</b>	<b>11,505</b>

The company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The company is not exposed to any material price risk.

#### Fair values

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 24 for detailed disclosures regarding the fair value measurement of the company's financial assets and liabilities.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company. Most of these instruments, which are carried at amortised cost, are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

# Notes to the financial statements (continued)

## Note 26. Financial risk management (continued)

### (d) Price risk (continued)

#### Fair values (continued)

	Note	2014		2013	
		Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial assets</b>					
Cash and cash equivalents (i)		821,848	821,848	1,150,489	1,150,489
Trade and other receivables (i)		100,801	100,801	122,076	122,076
Investments		19,386	19,386	17,111	17,111
<b>Total financial assets</b>		<b>942,035</b>	<b>942,035</b>	<b>1,289,676</b>	<b>1,289,676</b>
<b>Financial liabilities</b>					
Trade and other payables (i)		72,237	72,237	53,510	53,510
Loans and borrowings		595,782	595,782	-	-
<b>Total financial liabilities</b>		<b>668,019</b>	<b>668,019</b>	<b>53,510</b>	<b>53,510</b>

- (i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values. The fair values of receivables and payables are determined on the basis of an income approach using a discounted cash flow methodology. Discount rates are based on market interest rates for similar instruments and range between 7.8% and 9.3%, depending upon the nature of the instrument.

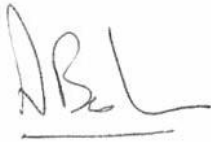
# Directors' declaration

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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 15 to 46 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 2014 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.

A handwritten signature in dark ink, appearing to read 'ABL', with a horizontal line underneath it.

**Allen Borella**  
**Director**

Signed at Kew East on 19 September 2014.



# Independent audit report

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**Richmond  
Sinnott &  
Delahunty**

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

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

### **Report on the Financial Report**

We have audited the accompanying financial report of Kew East Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

# Independent audit report (continued)

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

## *Independence*

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

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Kew East Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

## **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion, the remuneration report of Kew East Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

## **RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**P. P. Delahunty**

Partner

Dated at Bendigo, 19 September 2014

# NSX report

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

## Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	36	24,103
1,001 to 5,000	172	459,212
5,001 to 10,000	40	287,506
10,001 to 100,000	50	1,021,506
100,001 and over	0	0
<b>Total shareholders</b>	<b>298</b>	<b>1,792,327</b>

## Equity Securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 3 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

# NSX report (continued)

## Largest Shareholders

The following table shows the largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
ADRIAN LAWLER & KAREN LAWLER	45,000	2.51%
THOMAS LEIGH PTY LTD <THE WARING FAMILY SUPERANNUATION FUND AC>	37,500	2.09%
MARJORIE IRENE WHITE	35,000	1.95%
RICHARD EVERITT THORNE	33,003	1.84%
LONGBOURNE PTY LTD	32,000	1.79%
RAYMOND DENIS CLEMENTS	30,000	1.67%
BRUCE DIGGLES	30,000	1.67%
SUSAN DIGGLES	30,000	1.67%
ESTATE OF JAMES MICHAEL HALL	30,000	1.67%
FIONA MARGARET COCHRANE <AC 381638>	30,000	1.67%
JAMES RAYMOND SMITH <AVENEL SUPER FUND NO. 3>	30,000	1.67%
PHILLIP R GIBBS & MARGARET A GIBBS <P & M GIBBS S/F A/C>	30,000	1.67%
CHARLES RAYMOND & JUDITH ANN SEARLE	30,000	1.67%
	<b>422,503</b>	<b>23.54%</b>

## Registered office and principal administrative office

The registered office of the Company is located at:

661A High Street,  
Kew East VIC 3102  
Phone: (03) 9859 7699

The principal administrative office of the Company is located at:

661A High Street,  
Kew East VIC 3102  
Phone: (03) 9859 7699

## Security register

The security register (share register) is kept at:

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

# NSX report (continued)

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## Company Secretary

Ross McDermott has been the Company Secretary of Kew East Financial Services Limited for three years.

Ross McDermott's qualifications and experience includes Chartered Accountant, Tax Agent, and Company Liquidator.

## Corporate governance

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

- (a) The establishment of an audit & governance committee. Members of the audit committee are Eric Thomas, Diana Nelson and Ross McDermott;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Annexure 3

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

## 5 Year Summary of Performance

		2010	2011	2012	2013	2014
Gross revenue	\$	1,165,614	1,315,548	1,340,020	1,390,915	1,352,300
Net profit before tax	\$	211,397	218,474	267,456	246,833	18,147
Total assets	\$	930,519	1,067,469	1,204,984	1,625,082	2,192,198
Total liabilities	\$	113,850	171,451	199,327	246,639	803,077
Total equity	\$	816,669	896,018	1,005,657	1,378,443	1,389,121



Kew East **Community Bank**® Branch  
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 Phone: (03) 9859 7699 Fax: (03) 9589 6944

Kew **Community Bank**® Branch  
 3 Athenaeum Place, Kew VIC 3102  
 Phone: (03) 9852 9322 Fax: (03) 9852 9211

Franchisee: Kew East Financial Services Limited  
 661A High Street, Kew East VIC 3102  
 Phone: (03) 9859 7699 Fax: (03) 9589 6944  
 ABN: 91 096 301 058

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