



City West Community Financial
Services Limited

ABN 11 068 049 178

**ANNUAL
REPORT
2013**

Pymont **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2013

It is pleasing to report that the recovery plan we introduced during this past year, together with our supportive partner Bendigo and Adelaide Bank Limited, has taken hold and is starting to bear fruit. Indeed, my fellow Directors and I share a cautious optimism that with one more intensive and concentrated push, we could be able to achieve our primary objective of profitability.

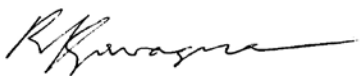
Although our trading result was a disappointing loss of \$224,295, this figure actually represents a decrease of 30.3% compared with our previous year's loss. This continuing trend of improving performance gives us confidence that success is within our grasp. Our 'book' closed at \$61.9 million which is 67% greater than last year. Significantly too, our lending result was 52% greater than 2012.

One of the initiatives that have given us a renewed sense of enthusiasm was the introduction of a dedicated Business Banking Developer. Sanjay Singh, working closely with our Branch Manager Costa Karas has made us aware of the large potential for business banking that exists in Pymont and Ultimo. If we can continue to capitalise on this market sector, we believe it will do much to hasten achievement of our objective of profitability.

The all-important purpose of profitability is the capacity it gives us to re-invest back into the local community. This re-investment takes the form of dividends to our patient shareholders, and sponsorships of worthy community projects. We have engaged with, and supported local community organisations such as Friends of Pymont Community Centre, The Ultimo Community Centre, the Pymont Ultimo Chamber of Commerce and its highly successful Pymont Food, Wine & Arts Festival and causes such as the Jason Madden appeal. This limited assistance was achieved with only our meagre marketing funds. A profitable **Community Bank**[®] branch of our size would be able to provide many times more this amount of financial support.

The Board is most appreciative of those shareholders and non-shareholder members of our community who are supporting our local **Community Bank**[®] branch. At the same time, we appeal to other shareholders and interested members of our local community to please take that same step. In doing no more than some of your banking and financial transactions with our **Community Bank**[®] branch, you will be helping us get to the point of helping the local community with much more significant financial support.

Remember, Bendigo and Adelaide Bank Limited is the fifth largest banking group in Australia. Accordingly, our rates are competitive and it is now far easier than you think to change over to us. In the end, our future and the prospect of retaining some locally generated wealth in our community rests largely with you.



Robert Gavagna
Chairman

Manager's report

For year ending 30 June 2013

Our fourth year of operation has been a period of challenge, achievement and change.

An increasingly competitive market and uncertain economic and political conditions have challenged all Australian businesses. We believe, given these circumstances, that our branch has performed well and has navigated some particularly difficult times.

Whilst we acknowledge that we have a long road ahead, it is important to celebrate some of our achievements over this financial year.

Most notably, we have increased our loans by 52.75% as well increased our customer base by 24%. We have been able to achieve these results through focused marketing, competitive rates, excellent service and strong relationship management.

We are also pleased that the branch passed the 1,000 accounts milestone. This is a significant and favourable result yet we are determined to do better. Unfortunately, our wide range of banking and insurance products are not being utilised by shareholders. It is through the support and custom of our shareholders that our branch will be able to efficiently realise our objectives.

In addition to these achievements I am very proud to say that we were able to raise over \$10,000, with overwhelming support from the Pymont community, for a special wheelchair for local boy Jason Madden. As well as being a meaningful and positive community contribution this initiative provided significant exposure for the branch with local businesses, schools, and residents.

As you would be aware Bendigo Bank's unique **Community Bank**[®] model is about rewarding the community and it is initiatives and achievements like these that Pymont **Community Bank**[®] Branch are proud to be a part of and significantly contributing to.

I am thrilled to report that the branch has benefited from the employment of a Specialist Business Banker, Sanjay Singh. Since joining the branch, Sanjay has successfully driven some very large commercial deals. By specifically targeting business banking and commercial deals, we hope to increase our business revenue and be better able to assist community endeavours.

At this point, I would like to thank all of our customers, Directors, my staff and the Bendigo and Adelaide Bank Limited support staff. It is a pleasure to work with a team so highly motivated and committed to our success.

Together we have developed several carefully crafted strategies for the year ahead, covering all aspects of our operations. We look forward to executing them and yielding some favourable results for the community of Pymont/Ultimo.



Costa Karas
Branch Manager

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Robert Joseph Gavagna

Chairman

Company Director

Robert is tertiary qualified in management and has many years of experience as a company director as well as general management experience in small-medium size business enterprises. Robert resides in Pyrmont and is actively involved in local community organisations including: Strata Plan Executive Committee (Chairman); Pyrmont Cares Incorporated; Friends of Pyrmont Point; Blackwattle Cove Coalition and others. He is a past Vice President of the Italian Opera Foundation Australia Limited as well as a past deputy Chairman of the Italian Chamber of Commerce & Industry Sydney.

Interests in shares: 10,001

Ian Gregory Bulluss

Secretary

Retired. Manager, Contracts & Relationship Management

Bachelor of Arts (Economics), Diploma in teaching, Graduate Diploma in Management, Master of Computer and Master of Business Administration. Ian's long career with NSW Government saw his information technology and management expertise extensively engaged within education and human services. Ian is an active member of the community with involvement in Pyrmont Cares Inc. (Secretary), Body Corporate Strata Committee (Treasurer), the Centre of Volunteering and the Jackson's Landing Community Association.

Interests in shares: 10,501

Patricia Teresa Strong

Treasurer

University Lecturer

Bachelor of Social Science (Hons), Master of Business Administration, Post Graduate Certificate In Education, just submitted a PhD thesis for examination on 'The emergence of integrated reporting.' Certified Management Accountant (CMA). Trish has over 20 years industry experience holding roles including: Management Accountant; Branch Accountant; Cost Analyst; Change Agent - AIS implementations. Trish also held numerous community roles including Treasurer of the Jackson's Landing Community Association and sub-committees and Strata Plans and has been a University Lecturer since 2001.

Interests in shares: 5,001

Margaret Broadbent

Director

Retired Registered Nurse

Registered Nurse - Midwifery & Orthopaedic Certificate. Margaret has extensive experience in Orthopaedic Nursing, Aged Care and Community Health. Has served on the executive committees of a number of professional associations including the NSW Wound Care Association, a number of hospital committees as well as being involved in many Community and Citizen groups. she is an active member of a Community Garden and spends her spare time producing the newsletter for the bank, gardening, building stone walls and paths.

Interests in shares: 6,001

Directors' report (continued)

Directors (continued)

Charles Perry

Director

Business Management Consultant

Bachelor of Arts and Master of Business Administration, Business Process Re-engineering, Strategic Planning and Business Improvement.

Charles is actively involved in many Community Groups including being a founding member of Friends of Pymont Point and Pymont Cares Inc. and his Strata committee.

Interests in shares: 12,501

John Charles Marsden

Director

Retired Commercial Pilot

John is a retired Army Officer and Commercial International Airline Pilot. A member of the RSL and Pymont Cares Incorporated, John is actively involved in the Pymont Ultimo community.

Interests in shares: 5,501

Ashley Leander Limbury

Director

Conflict Resolution & Mediation Consultant, MBA, B.Ed (SocSc. Hons).

Ashley is an experienced mediator primarily working in workplace, discrimination and commercial matters. Ashley also has retail tenancy and franchising mediation expertise and experience in Human Resources and staff management. He is a member of the Community Water Sports Centre, a local dragon boating team and has prior roles as chairman and member of a local Strata Committee.

Interests in shares: 1,501

Peter John Devoy

Director

Retired Financial Services Consultant

Experience in banking, accounting, administration and human resource management and is a Fellow of the Financial Services Institute of Australia. He is an active member of Pymont Cares Inc., Pymont Ultimo Glebe Men's Shed and secretary of his Strata Committee. Peter is involved in many church related committees.

Interests in shares: 3,501

John Leslie Hoff

Director

Fruit Grower

John is an active member of his Strata committee, Pymont Cares Inc., Friends of Pymont Point and Pymont Ultimo Glebe Men's Shed and other community groups. A retired airline pilot, he also holds an Associate Degree in Applied Science, Winemaking/Viticulture.

Interests in shares: 50,501

Ching-Chih Muriel Chen

Director (Resigned 30 April 2013)

Restaurateur

"Bachelor of Business (Accounting), Master of Hospitality Management

Muriel has over 20 years experiences in Hospitality Industry, has managed her own award-winning restaurant for the last 9 years. Muriel is actively involved in several Pymont community groups.

Interests in shares: 1,000

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

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

Company Secretary

The company secretary is Ian Gregory Bulluss. Ian has held this position since 19 February 2010 following on from Charles Perry who was appointed to the position of secretary upon Incorporation on 6 November 2008. Ian's long career within NSW Government saw his information technology and management expertise extensively engaged within education and human services. Ian is a registered Justice of the Peace (NSW) and an active member of the community with involvement in Pymont Cares Inc. (Secretary), Body Corporate Strata Committee (Treasurer), the Centre for Volunteering (NSW) and the Jacksons Landing Community Association.

Directors' report (continued)

Principal Activities

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

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

Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

| | Year ended 30 June 2013 \$ | Year ended 30 June 2012 \$ |
|--|----------------------------------|----------------------------------|
| | (224,295) | (321,973) |

Remuneration Report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Area and Branch Managers

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the **Community Bank**[®] network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role.

There are therefore no Specified Executives.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Directors' report (continued)

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

| Director | Number of Board Meetings | |
|---|--------------------------|-----------------|
| | Eligible to Attend | Number Attended |
| Robert Joseph Gavagna | 12 | 10 |
| Patricia Teresa Strong | 12 | 8 |
| Ian Gregory Bulluss | 12 | 10 |
| Margaret Broadbent | 12 | 9 |
| Charles Perry | 12 | 12 |
| Peter John Devoy | 12 | 8 |
| John Charles Marsden | 12 | 6 |
| John Leslie Hoff | 12 | 11 |
| Ashley Leander Limbury | 12 | 8 |
| Ching-Chih Muriel Chen (Resigned 30 April 2013) | 9 | 2 |

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Directors' report (continued)

Non Audit Services (continued)

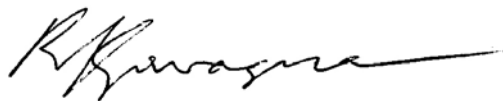
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

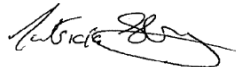
Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Pyrmont, New South Wales on 26 August 2013.



Robert Joseph Gavagna, Chairman



Patricia Teresa Strong, Treasurer

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of City West Community Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over the first bullet point of the declaration.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 26 August 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABRN: 51 061 795 317

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|--|------|------------------|------------------|
| Revenues from ordinary activities | 4 | 369,279 | 277,604 |
| Employee benefits expense | | (275,428) | (308,276) |
| Charitable donations, sponsorship, advertising and promotion | | (17,249) | (7,995) |
| Occupancy and associated costs | | (136,878) | (135,273) |
| Systems costs | | (35,852) | (36,835) |
| Depreciation and amortisation expense | 5 | (35,156) | (38,719) |
| Finance costs | 5 | (19,668) | (5,178) |
| General administration expenses | | (73,343) | (67,301) |
| Loss before income tax expense | | (224,295) | (321,973) |
| Income tax expense | 6 | - | - |
| Loss after income tax expense | | (224,295) | (321,973) |
| Total comprehensive income for the year | | (224,295) | (321,973) |
| Earnings per share (cents per share) | | c | c |
| - basic for profit for the year | 22 | (22.51) | (32.31) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|--------------------------------------|------|------------------|-----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 100 | 52 |
| Trade and other receivables | 8 | 26,098 | 9,613 |
| Total Current Assets | | 26,198 | 9,665 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 189,981 | 203,137 |
| Intangible assets | 10 | 38,318 | 60,318 |
| Total Non-Current Assets | | 228,299 | 263,455 |
| Total Assets | | 254,497 | 273,120 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 10,948 | 10,474 |
| Borrowings | 13 | 461,984 | 261,133 |
| Provisions | 14 | 12,032 | 11,687 |
| Total Current Liabilities | | 484,964 | 283,294 |
| Non-Current Liabilities | | | |
| Provisions | 14 | 5,111 | 1,109 |
| Total Non-Current Liabilities | | 5,111 | 1,109 |
| Total Liabilities | | 490,075 | 284,403 |
| Net Assets | | (235,578) | (11,283) |
| Equity | | | |
| Issued capital | 15 | 961,485 | 961,485 |
| Accumulated losses | 16 | (1,197,063) | (972,768) |
| Total Equity | | (235,578) | (11,283) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

| | Issued Capital \$ | Accumulated Losses \$ | Total Equity \$ |
|--|-------------------------|-----------------------------|-----------------------|
| Balance at 1 July 2011 | 961,485 | (650,795) | 310,690 |
| Total comprehensive income for the year | - | (321,973) | (321,973) |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | - | - |
| Balance at 30 June 2012 | 961,485 | (972,768) | (11,283) |
| Balance at 1 July 2012 | 961,485 | (972,768) | (11,283) |
| Total comprehensive income for the year | - | (224,295) | (224,295) |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | - | - |
| Balance at 30 June 2013 | 961,485 | (1,197,063) | (235,578) |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|---|-------------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | | 388,338 | 298,929 |
| Payments to suppliers and employees | | (569,473) | (582,498) |
| Interest received | | - | 18 |
| Interest paid | | (19,668) | (5,178) |
| Net cash used in operating activities | 17 | (200,803) | (288,729) |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | - | (1,425) |
| Net cash used in investing activities | | - | (1,425) |
| Net decrease in cash held | | (200,803) | (290,154) |
| Cash and cash equivalents at the beginning of the financial year | | (261,081) | 29,073 |
| Cash and cash equivalents at the end of the financial year | 7(a) | (461,884) | (261,081) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Pyrmont, New South Wales.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2013 were (\$235,578) and the loss made for the year was (\$224,295), bringing accumulated losses to (\$1,197,063).

| In addition: | \$ |
|---------------------------|-----------|
| Total assets were | 254,497 |
| Total liabilities were | 490,075 |
| Operating cash flows were | (200,803) |

There was a 30% decrease in the loss recorded for the financial year ended 30 June 2013 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$575,000 and was drawn to \$461,984 as at 30 June 2013.

An interest free period of six months expired during February 2012. As a result \$19,668 of interest expense was incurred during the 2013 financial year.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Going concern (continued)

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 5 to 8. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company may be required to seek an extension to its overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. The company has obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2013/14 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be limited in its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Due to the financial position of the entity, the board was given a supplementary commission equivalent to the reduction in trailer product commission for the period 1 April 2013 to 31 March 2014.

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording 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 charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed Equity

Ordinary shares are 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.

o) Earnings Per Share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Note 2. Financial Risk Management (continued)

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 balance sheet.

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 2013 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

| | 2013 \$ | 2012 \$ |
|--|----------------|----------------|
| Note 4. Revenue from Ordinary Activities | | |
| Operating activities: | | |
| - services commissions | 320,946 | 246,769 |
| - other revenue | 48,333 | 30,833 |
| Total revenue from operating activities | 369,279 | 277,602 |
| Non-operating activities: | | |
| - interest received | - | 2 |
| Total revenue from non-operating activities | - | 2 |
| Total revenues from ordinary activities | 369,279 | 277,604 |

Note 5. Expenses

Depreciation of non-current assets:

| | | |
|--------------------------|--------|--------|
| - plant and equipment | 2,325 | 5,859 |
| - leasehold improvements | 10,831 | 10,860 |

Amortisation of non-current assets:

| | | |
|-----------------------|---------------|---------------|
| - franchise agreement | 2,000 | 2,000 |
| - establishment fee | 20,000 | 20,000 |
| | 35,156 | 38,719 |

Finance costs:

| | | |
|------------------|------------|------------|
| - interest paid | 19,668 | 5,178 |
| Bad debts | 274 | 602 |

Notes to the financial statements (continued)

| | Note | 2013 \$ | 2012 \$ |
|--|------|------------|------------|
|--|------|------------|------------|

Note 6. Income Tax Credit

The components of tax expense comprise:

| | | | |
|--|--|----------|----------|
| - Future income tax benefit attributed to losses | | (68,963) | (89,682) |
| - Movement in deferred tax | | (428) | (3,711) |
| - Tax losses not brought to account | | 69,391 | 93,393 |
| | | - | - |

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

| | | | |
|---|----|-----------------|-----------------|
| Operating loss | | (224,295) | (321,973) |
| Prima facie tax on loss from ordinary activities at 30% | | (67,289) | (96,592) |
| Add tax effect of: | | | |
| - non-deductible expenses | | - | 6,600 |
| - timing difference expenses | | 428 | 2,412 |
| - other deductible expenses | | (2,102) | (2,102) |
| | | (68,963) | (89,682) |
| Movement in deferred tax | 11 | (428) | (3,711) |
| Tax losses not brought to account | | 69,391 | 93,393 |
| | | - | - |

Income tax losses

Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:

| | |
|------------------|------------------|
| (359,880) | (294,628) |
|------------------|------------------|

Note 7. Cash and Cash Equivalents

| | | | |
|--------------------------|--|------------|-----------|
| Cash at bank and on hand | | 100 | 52 |
| | | 100 | 52 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

| | | | |
|--------------------------|----|------------------|------------------|
| Cash at bank and on hand | | 100 | 52 |
| Bank overdraft | 13 | (461,984) | (261,133) |
| | | (461,884) | (261,081) |

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|--|---------------|--------------|
| Note 8. Trade and Other Receivables | | |
| Trade receivables | 22,224 | 5,739 |
| Other receivables and accruals | - | - |
| Prepayments | 3,874 | 3,874 |
| | 26,098 | 9,613 |

Note 9. Property, Plant and Equipment

Plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| At cost | 37,169 | 37,169 |
| Less accumulated depreciation | (20,968) | (18,643) |
| | 16,201 | 18,526 |

Leasehold improvements

| | | |
|-------------------------------|----------------|----------------|
| At cost | 212,165 | 212,165 |
| Less accumulated depreciation | (38,385) | (27,554) |
| | 173,780 | 184,611 |

| | | |
|----------------------------------|----------------|----------------|
| Total written down amount | 189,981 | 203,137 |
|----------------------------------|----------------|----------------|

Movements in carrying amounts:

Plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| Carrying amount at beginning | 18,526 | 22,960 |
| Additions | - | 1,425 |
| Less: depreciation expense | (2,325) | (5,859) |
| Carrying amount at end | 16,201 | 18,526 |

Leasehold improvements

| | | |
|----------------------------------|----------------|----------------|
| Carrying amount at beginning | 184,611 | 195,471 |
| Less: depreciation expense | (10,831) | (10,860) |
| Carrying amount at end | 173,780 | 184,611 |
| Total written down amount | 189,981 | 203,137 |

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|-----------------------------------|---------------|---------------|
| Note 10. Intangible Assets | | |
| Franchise fee | | |
| At cost | 10,000 | 10,000 |
| Less: accumulated amortisation | (7,167) | (5,167) |
| | 2,833 | 4,833 |
| Establishment fee | | |
| At cost | 100,000 | 100,000 |
| Less: accumulated amortisation | (71,667) | (51,667) |
| | 28,333 | 48,333 |
| Redomicile Accounts | 7,152 | 7,152 |
| Total written down amount | 38,318 | 60,318 |

Note 11. Tax

Non-Current:

Deferred tax assets

| | | |
|------------------------------|----------------|---------------|
| - accruals | 158 | 1,034 |
| - employee provisions | 5,143 | 2,540 |
| - tax losses carried forward | 359,880 | 89,682 |
| | 365,181 | 93,256 |

Deferred tax liability

| | | |
|-----------------------------------|----------|----------|
| - accruals | - | - |
| - deductible prepayments | (1,162) | 1,162 |
| | (1,162) | 1,162 |
| Tax losses not brought to account | 366,343 | 92,094 |
| Net deferred tax asset | - | - |

Note 12. Trade and Other Payables

| | | |
|------------------------------|---------------|---------------|
| Trade creditors | 4,785 | 4,606 |
| Other creditors and accruals | 6,163 | 5,868 |
| | 10,948 | 10,474 |

Notes to the financial statements (continued)

| | 2013 | 2012 |
|--|------|------|
| | \$ | \$ |

Note 13. Borrowings

Current:

| | | |
|------------------------|----------------|----------------|
| Bank overdrafts | 461,984 | 261,133 |
|------------------------|----------------|----------------|

The company has an approved overdraft facility of \$525,000. The overdraft was interest free for the first 6 months after initial draw down. The interest free period of six months expired during February 2012. Interest is charged at the commercial interest rate as per agreement with franchisor (currently 6.49%). The overdraft is secured by a fixed and floating charge over the company's assets.

| | 2013 | 2012 |
|--|------|------|
| | \$ | \$ |

Note 14. Provisions

Current:

| | | |
|-----------------------------------|---------------|---------------|
| Provision for annual leave | 12,032 | 11,687 |
|-----------------------------------|---------------|---------------|

Non-Current:

| | | |
|---|--------------|--------------|
| Provision for long service leave | 5,111 | 1,109 |
|---|--------------|--------------|

Note 15. Contributed Equity

| | | |
|--|----------------|----------------|
| 996,511 Ordinary shares fully paid (2012: 996,511) | 996,511 | 996,511 |
| Less: equity raising expenses | (35,026) | (35,026) |
| | 961,485 | 961,485 |

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] have the same ability to influence the operation of the company.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 218. As at the date of this report, the company had 244 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|--|--------------------|------------------|
| Note 16. Accumulated Losses | | |
| Balance at the beginning of the financial year | (972,768) | (650,795) |
| Net loss from ordinary activities after income tax | (224,295) | (321,973) |
| Balance at the end of the financial year | (1,197,063) | (972,768) |

Note 17. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

| | | |
|---|------------------|------------------|
| Loss from ordinary activities after income tax | (224,295) | (321,973) |
| Non cash items: | | |
| - depreciation | 13,156 | 16,719 |
| - amortisation | 22,000 | 22,000 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (16,485) | (3,841) |
| - (increase)/decrease in other assets | - | - |
| - increase/(decrease) in payables | 474 | (9,213) |
| - increase/(decrease) in provisions | 4,347 | 7,579 |
| Net cashflows used in operating activities | (200,803) | (288,729) |

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments

| | | |
|---------------------------------|----------------|----------------|
| - not later than 12 months | 119,600 | 119,600 |
| - between 12 months and 5 years | 59,800 | 186,658 |
| | 179,400 | 306,258 |

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease has extension provisions for 2 further five year options available.

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|---|--------------|--------------|
| Note 19. Auditor's Remuneration | | |
| Amounts received or due and receivable by the | | |
| auditor of the company for: | | |
| - audit and review services | 3,600 | 3,400 |
| - share registry services | 1,500 | 1,450 |
| - non audit services | 2,226 | 1,710 |
| | 7,326 | 6,560 |

Note 20. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Robert Joseph Gavagna
 Patricia Teresa Strong
 Ian Gregory Bulluss
 Margaret Broadbent
 Charles Perry
 Peter John Devoy
 John Charles Marsden
 John Leslie Hoff
 Ashley Leander Limbury
 Ching-Chih Muriel Chen (Resigned 30 April 2013)

No director or related entity has entered into a material contract with the company. No directors' fees have been paid as the positions are held on a voluntary basis.

| Directors Shareholdings | 2013 | 2012 |
|---|-------------|-------------|
| Robert Joseph Gavagna | 10,001 | 10,001 |
| Patricia Teresa Strong | 5,001 | 5,001 |
| Ian Gregory Bulluss | 10,501 | 10,501 |
| Margaret Broadbent | 6,001 | 6,001 |
| Charles Perry | 12,501 | 12,501 |
| Peter John Devoy | 3,501 | 3,501 |
| John Charles Marsden | 5,501 | 5,501 |
| John Leslie Hoff | 50,501 | 50,501 |
| Ashley Leander Limbury | 1,501 | 1,501 |
| Ching-Chih Muriel Chen (Resigned 30 April 2013) | 1,000 | 1,000 |

Notes to the financial statements (continued)

Note 21. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$ | \$ |
| Note 22. Earnings Per Share | | |
| (a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share | (224,295) | (321,973) |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 996,511 | 996,511 |

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Sydney suburb of Pyrmont, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

| | |
|-------------------|-----------------------------|
| Registered Office | Principal Place of Business |
| 148 Harris Street | 148 Harris Street |
| Pyrmont NSW 2009 | Pyrmont NSW 2009 |

Notes to the financial statements (continued)

2013
\$ **2012**
\$

Note 26. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

| Financial instrument | Floating interest rate | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average effective interest rate | |
|------------------------------|------------------------|---------|---------------------------------|---------|-------------------|---------|--------------|---------|----------------------|---------|--|--------|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2013 \$ | 2012 \$ | 2013 \$ | 2012 \$ | 2013 \$ | 2012 \$ | 2013 \$ | 2012 \$ | 2013 \$ | 2012 \$ | 2013 % | 2012 % |
| Financial Assets | | | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - | 100 | 52 | Nil | Nil |
| Receivables | - | - | - | - | - | - | - | - | - | 1,052 | N/A | N/A |
| Financial Liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | 461,984 | 261,133 | - | - | - | - | - | - | - | - | 5.16 | 3.88 |
| Payables | - | - | - | - | - | - | - | - | 4,855 | 4,638 | N/A | N/A |


Directors' declaration

In accordance with a resolution of the directors of City West Community Financial Services Limited we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Robert Joseph Gavagna, Chairman



Patricia Teresa Strong, Treasurer

Signed on the 26th of August 2013.

Independent audit report



Independent auditor's report to the members of City West Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of City West Community Financial Services Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

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. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of City West Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$224,295 during the year ended 30 June 2013, and as of that date, the company's liabilities exceeded its total assets by to \$235,578. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

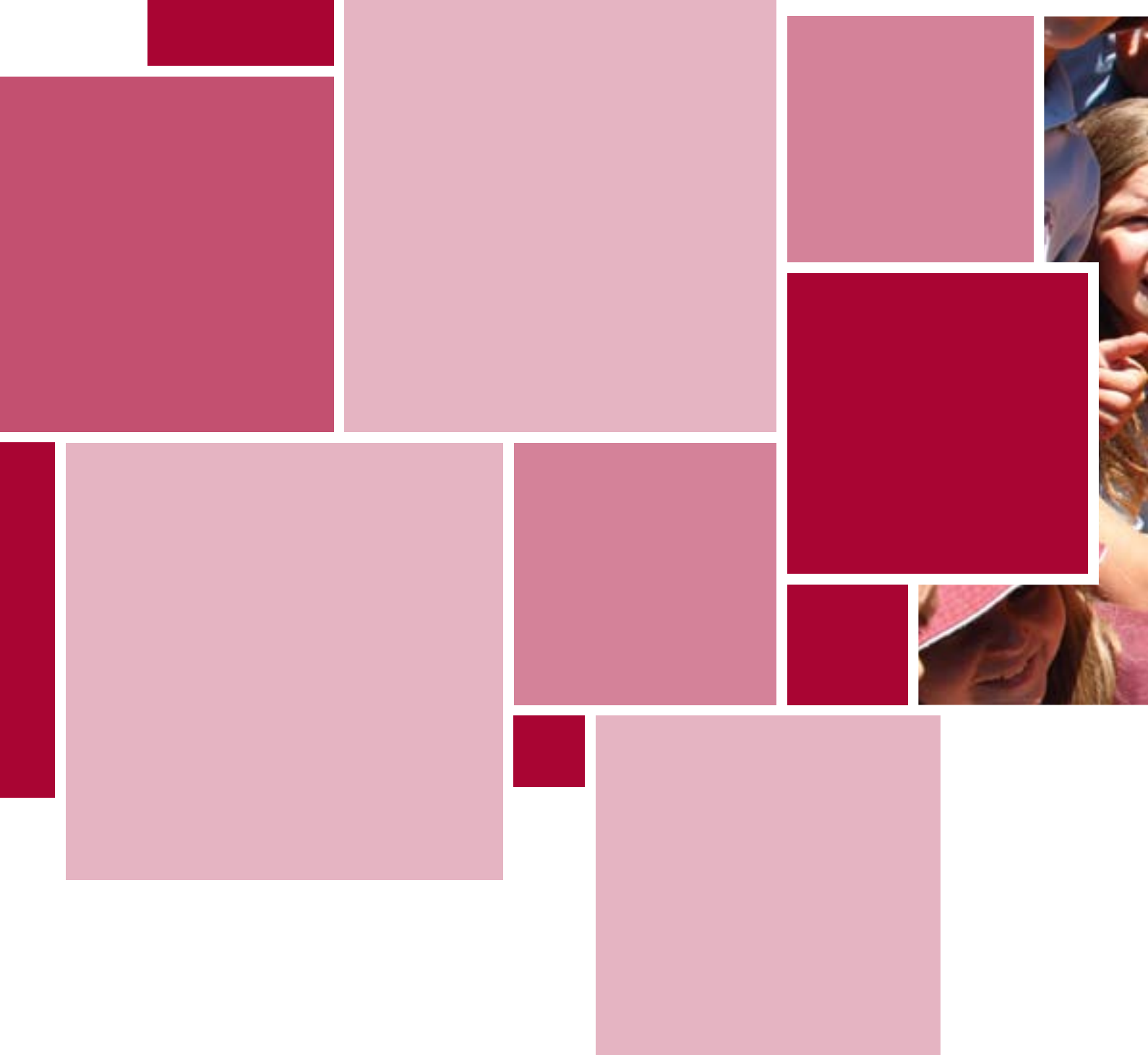
Auditor's opinion

In our opinion, the remuneration report of City West Community Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 26 August 2013



Pymont **Community Bank**[®] Branch
148 Harris Street, Pymont NSW 2009
Phone: (02) 9518 9866 Fax: (02) 9518 9844

Franchisee: City West Community Financial Services Limited
148 Harris Street, Pymont NSW 2009
Phone: (02) 9518 9866 Fax (02) 9518 9844
www.cwcfs.com.au
ABN: 11 068 049 178

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