

Annual Report 2017-2018

City West Community
Financial Services Limited

ABN 34 134 051 219

Pymont Community Bank® Branch



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Chairman's Report

For year ending 30 June 2018

I'm pleased to report that we achieved revenue growth in FY2018 in the face of a challenging environment for banking and continue to enthusiastically support new and ongoing community events.

The Australian Prudential Regulatory Authority (APRA) interventions on the home lending market has achieved its intended effect. APRA caps on lending to investors, loan to valuation guidelines, differentiated for investors compared with owner occupiers, and mandated serviceability tests has the effect of significantly reducing the credit limits of the borrower.

In addition to APRA interventions, the Banking Royal Commission has added to banks response to their lending practices and risk appetites. We expect the outcomes from the Banking Royal Commission to provide further headwind for our business in the year ahead.

The profit and loss statement show a loss of \$5,484. This reflects a change to the method of accounting for one non-cash item. The decision was made by the board to accelerate the depreciation of leasehold improvements to align with the expiry of the lease on the premises from which we are operating.

On a cash basis, revenues grew year-on-year by 4.5%, and cash costs grew by 1.5% resulting in an operating cash flow surplus of \$72,801 for FY2018. This is a significant improvement and more than double the operating cash flow result from last year.

Acknowledgements

We owe thanks to our team at the branch - Garry, Mike, Reyhan and Paul. Growth this year has been hard won and made possible with their drive and dedication to service.

I would also like to acknowledge my fellow directors and honorary advisors who volunteer their time. Individually and collectively the board and honorary advisors bring their deep skills and significant experience to steer our way through the rapidly changing market that we see today.

A special thanks to Amy Land, our Bendigo Bank Regional Manager who has been advising and assisting our board for the majority of the company's operating life. Amy has taken a promotion within Bendigo Bank and we wish her well in her new role.

Gordon Elkington has resigned from the board effective 25 September 2018. Gordon started his service on 5 November 2015. He has been responsible for our shareholder registry and the low volume market trading of company shares. More recently Gordon also served on the Finance and Audit committee where we had resolved to change to depreciation policy. On behalf of the board, I'd like to thank Gordon for his dedication and service.

Carol Limmer has announced that she'll be retiring from the board. She joined our board in FY2016 as an advisor and company secretary, appointed as a director and company secretary in FY2017, and, Deputy Chair in FY2018. Carol has served us capably, with utmost professionalism and most importantly with a warm heart. She has offered her services as an honorary advisor and the board has enthusiastically accepted.

Looking ahead

The Bendigo Bank brand is strong where it is Australia's 5th largest retail bank and Australia's most recommended bank.

While the regulatory settings now and in the immediate future pose a challenge for revenue growth, we have good reasons to be confident when looking ahead.

Firstly, Marnie Baker, Bendigo and Adelaide Banks new Managing Director has announced that the business will grow customer relationships by 50% over the next 3 years.

Bendigo Bank in NSW has a fraction of the market share that Victoria and South Australia enjoys. Bendigo Bank has determined that this is going to change and a very significant increase in marketing spend in NSW started in 2017 with the 'Be the change' and 'See the change' campaigns.

Translating brand recognition to new loans and accounts with our branch takes time. Kylie Douglas, the NSW State Manager with a marketing background is taking on the marketing reins herself. We're in good hands.

Secondly, taking a cue from Bendigo Bank's focus on branding activities and growing relationships, your board continues to look for and explore opportunities for business growth as well as growth in our capability to support community projects. On both fronts, we are at advanced stages of planning and negotiations and will make announcements on these when appropriate.

Our Customers. The gift that keeps on giving

We are a 'for purpose' company that is locally owned and a charter to support the local community.

The point of difference being that our capability to support is not measured by the amounts of donations we raise (one off) but by the customers who bank with us (ongoing).

More customer relationships translate into more loans and deposits and in turn into profits as dividends to shareholders and contributions back into the local community.

To our clients, thank you for your continuing support!

Our Shareholders

Our shareholders and founders had the foresight to sow the seed, while the current team continue to nurture it. I do hope you share, as I do, the satisfaction of watching it grow and bear fruit.

A handwritten signature in black ink on a light-colored rectangular background. The signature is written in a cursive style and appears to read 'R. Tai'.

Raymond Tai

Chair

Manager's report

For year ending 30 June 2018

Welcome to my 2018 Annual Report for the Pyrmont **Community Bank**[®] Branch.

For over 150 years Bendigo and Adelaide Bank have been providing financial services all over Australia.

Did you know that **Community Bank**[®] branches are locally owned and operated? This means that decisions on where to invest **Community Bank**[®] Branch profits are made by the locals, resulting in over \$200 million being returned to community groups and projects Australia wide. This year there will be a celebration of 20 years since the 1st Community Bank branches opened in Rupanyip & Minyip in Victoria.

These achievements would not have been possible without the ongoing support of the shareholders, customers and advocates of what is a truly unique way of banking for the benefit of the local community.

We can see the benefits of your continued support and we are extremely proud to have been able to continue our support of many local community groups. Grants and sponsorships have been made available to many local organisations including: Carols in Union Square, Christmas in Pyrmont, Ghost House Community Garden, Naidoc 2018 Yarning Circle, Mustard Seed Uniting Church Live Nativity, various events at the Ultimo Public School, City of Sydney's I Love Australia celebration, Sydney University NEAFL team, Sydney University Flames Women's basketball team, Pyrmont Food Wine & Art Festival and the Pyrmont Community Dinners held at the Community Centre as well as participating in national events with the RSPCA, Parkinson's Unity Walk and various Cancer Council events held throughout the year.

Our strong community engagement and continued increase in our branch business is the result of having an extremely stable and committed team here at Pyrmont **Community Bank**[®] Branch which includes our Customer Service Supervisor Mike Velicanski and our two Customer Service Officers Reyhan Ulutas and Paul Motuliki. We also enjoy an outstanding relationship with everyone at our Pitt Street head office.

We would like to thank all the support and work that our fantastic Board of Directors both previous & new do for both us and the local community, each and every one of them contributes so much. Thank you to you all.

Most importantly, thank you also to all our people, shareholders and customers. You can now see the benefits of your continued support which then supports your local community groups. The **Community Bank** model offers an alternative way to think about banking and because of everyone's support there is no limit to what can be achieved for our local people and the local community.

See the change: every day our customers help change lives and save lives just by banking with us. You need a bank you can trust and we need you to help us make a difference.

It's time to feel good about who you bank with. See the change your banking can make.

Thank you for your ongoing support of your local Pymont **Community Bank**[®] Branch.

Garry Noel

Branch Manager

City West

Community Financial Services Limited

ABN: 34 134 051 219

Financial Statements

For the year ended

30 June 2018

City West Community Financial Services Limited

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

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

Raymond Li Jin Tai

Chair

Occupation: Investment Manager

Qualifications, experience and expertise: Raymond has been involved in executive roles in not for profit community organisations for over two decades. He is a shareholder in the company and is passionate about making lasting and positive contributions to society. Raymond is a water sports enthusiast and an advocate for a water sports centre in Bank Street that can provide access to our bays and Sydney Harbour for paddlers and local residents. Professionally he has held roles as an investment manager, a financial consultant and a deal maker in the IT industry across Asia Pacific. Raymond's qualifications include: Bachelor of Economics, CPA, MAICD.

Special responsibilities: Marketing Committee

Interest in shares: 15,000

Carolyn Ann Limmer

Deputy Chair

Occupation: Non Executive Director

Qualifications, experience and expertise: Carolyn is a former Senior Executive of the Commonwealth Bank of Australia (CBA) where she held a range of roles over a long career including in Retail Banking, Public Relations, full range of Human Resources and had involvement in major change programs and mergers and acquisitions. She holds a Bachelor of Business Degree from the Sydney University of Technology, is a graduate of the AICD Company Director Course, a Fellow of AICD, Governance Institute and AIM as well as a Chartered member of AHRI and Member of Zonta. She is a Non Executive Director in the Not for Profit sector and sits on Boards/Board Committees. She is also involved in a range of community activities.

Special responsibilities: Deputy Chair (*Appointed 2017 AGM*), Secretary (*Resigned 2017 AGM*).

Interest in shares: 1,000

Dr Philip George Ronaldson

Director

Occupation: Retired

Qualifications, experience and expertise: Phil has been a lecturer in Surveying, Infrastructure Engineering, Spatial Information Systems and Remote Sensing in the School of Engineering at the University of Western Sydney (now WSU) (1997 - 2010). Prior to that, he was a staff Surveyor with the Victorian Lands Department as it was originally known, working across Victoria for the Ministry of Housing and in the Geodetic Computing Section (1975-1991). From 1995 to 1992 Phil was involved in Apex, holding senior roles at Club and District level. Between those two appointments Phil was an independent consultant in Spatial Information Systems when he had involvement in AURISA which is now the Surveying and Spatial Sciences Institute (SSSI).

Special responsibilities: Secretary (*Appointed 2017 AGM*), Treasurer (*Resigned 2017 AGM*).

Interest in shares: 500

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

Patricia Teresa Strong

Director

Occupation: University Lecturer

Qualifications, experience and expertise: Trish is a Certified Practising Accountant (CPA) and a member of the Australian Institute of Company Directors (M AICD). Trish has been the recipient of the CPA teaching excellence award in 2013. Trish's qualifications include a Doctorate degree (PhD) from the University of New South Wales, a Masters of Business Administration degrees (MBA) from Curtin University (WA) and Bachelor of Social Science with honours (BSSc.) from Queen's University, Belfast. In her PhD Trish studied the emergence of Integrated Reporting in accounting. Prior to her retirement in January 2018 Trish was an accounting academic at the University of New South Wales, lecturing in E-Business Strategies and Processes as well as Qualitative Research Methods at undergraduate and post-graduate levels. She has had an extensive international career across many facets of Accounting. She is a member of the Finance and Risk & Governance Committees. Her community involvements include being chair of the Great Irish Famine Commemoration Committee (GIFCC).

Special responsibilities: Treasurer (*Resigned 2017 AGM*).

Interests in shares: 5,001

Gordon Bradley Elkington

Director

Occupation: Barrister; Company Director

Qualifications, experience and expertise: Gordon holds postgraduate qualifications in science and law, and is a barrister of the Supreme Court of NSW. He is a director of Winpar Holdings Limited, Pritchard Equity Limited and Hamilton Securities Limited. His employers have included the University of Warwick and the University of Sydney. He is a member of the NSW Legal Qualifications Committee.

Special responsibilities: Coordinator of Share Register and Low volume market (LVM).

Interest in shares: 1,100

Vinh Van Lam

Director

Occupation: Business Coach

Qualifications, experience and expertise: Vinh is a business coach for Creative Industries and a business advisor. He runs the ArtSHINE Launch Pad and Accelerator programs for Creative start-ups. He has experience in retailing, wholesaling, retail banking, coaching, mentoring and consulting. Vinh has direct experience in Retail Financial Services along with a solid understanding of retail banking operations and compliance requirements. He has a keen eye for the fundamental drivers of successful retail bank branch. Vinh's qualifications include Associate Certificate – International Tourism; Diploma in Retail Management; Bachelor of Marketing; Certificate IV T&A.

Special responsibilities: Chair of Marketing Committee.

Interest in shares: Nil

Ashley Leander Limbury

Director

Occupation: Strategic Facilitator

Qualifications, experience and expertise: Ashley is a strategic facilitator and Tribunal Member with a focus on workplace, discrimination and commercial matters. Ashley also has retail tenancy and franchising mediation expertise and experience in Human Resources and staff management. Ashley is a member of the Community Water Sports Centre and previously been a member of the local dragon boat team. He has held prior roles as Chairman and member of a local Strata Committee. His qualifications include M.B.A, 2002 (University of Technology Sydney), B.Ec. (Soc, Sci) (Hons.), double major in Economics and Psychology, 1994 (Sydney University).

Special responsibilities: Marketing Committee

Interest in shares: 1,501

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

Susan Ngan

Director (*Appointed 30 November 2017*)

Occupation: Tutor Accounting/Finance

Qualifications, experience and expertise: Susan has graduated with a Master in Accounting (UWA), 2012 and holds professional membership in the Institute of Chartered Accountants of Australia New Zealand (PCA) and Finsia. Susan has held past Non-Executive director roles with both the City Council and Not for profit community organisations including Community Representative of the Town of Claremont's, Perth, Audit and Risk Committee 2011-2017, Past Treasurer and Board member of the Rotary Club of Crawley, Perth and an Assistant Treasurer and Board member of the Rotary Club of Sydney, Darling Harbour. Since 2017 Banking and Finance tutor for The University of Sydney Business School course (International Financial Management. Semester). Susan is a Rotarian and currently member of the Rotary Club of Sydney, Darling Harbour. She is also involved with the Athletics New South Wales club as a Track and Race walking official. Her Athletic nominations includes Gold Coast, 2018 Commonwealth Games Athletic Official as a sports competition team member and her past nominations includes the track and racewalking official for the Australian Athletics Junior and Open Athletic Championships.

Special responsibilities: Treasurer (*Appointed 2017 AGM*), Chair of the Finance and Audit Committee.

Interest in shares: Nil

Gavin Stuart

Director (*Appointed 30 November 2017*)

Occupation: Lawyer

Qualifications, experience and expertise: BSC/LIb and Law Society of NSW Member Lawyer since 1997 (admitted April 1997). Experienced Lawyer, business owner and manager.

Special responsibilities: Governance and Risk Committee Member

Interest in shares: Nil

Apichana Hongsuwong

Director (*Appointed 30 November 2017, Resigned 1 May 2018*)

John Charles Marsden

Director (*Resigned 30 November 2017*)

Occupation: Retired Army Pilot and Commercial International Airline Pilot

Qualifications, experience and expertise: John is a retired Army Officer and Commercial International Airline Pilot. Currently Vice President of Kirribilli RSL (sub-branch), John is actively involved in the Pyrmont Ultimo community. Apart from his duties as Chairman, John has been leading the City West Community Financial Services Marketing committee since 2010.

Special responsibilities: Board Chairman; Marketing Committee Chairman

Interests in shares: 5,001

John Leslie Hoff

Director (*Resigned 30 November 2017*)

Occupation: Fruit Grower

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

Special responsibilities: Human Resources & Property Committee

Interests in shares: 50,501

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

John Lawrence O'Meally

Director (*Resigned 29 November 2017*)

Occupation: Retired Judge, District Court of NSW

Qualifications, experience and expertise: John is an accredited mediator. John is a Law graduate from the University of Sydney and was admitted to NSW, Aust. and Papua New Guinea and Western Pacific Bars. He is a member of the Council of the Aust. Section of the International Commission of Jurists and President of the NSW Branch of the Australian Section of ICJ. He is an Australian Commissioner of the ICJ based in Geneva. He is also Chair of the Asbestos Diseases Research Foundation at Concord Hospital. In 2002 John became a Member of the Order of Australia.

Special responsibilities: Nil

Interest in shares: Nil

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 Philip George Ronaldson. Phil was appointed as secretary on 30 November 2017 taking over from Carolyn Ann Limmer.

Phil has been a lecturer in Surveying, Infrastructure Engineering, Spatial Information Systems and Remote Sensing in the School of Engineering at the University of Western Sydney (now WSU) (1997 - 2010). Prior to that, he was a staff Surveyor with the Victorian Lands Department as it was originally known, working across Victoria and in the Geodetic Computing Division in Melbourne (1975 - 1991).

Carolyn has a Bachelor of Business Degree. She is a Graduate of the Company Secretary Course at AICD, is a Fellow of AICD, Governance Institute and Australian Institute of Management and a Chartered Member of AHRI. She is a former Senior Executive of the Commonwealth Bank of Australia and currently holds a range of Non Executive roles on Boards/Board Committees and is also involved in various local community activities. She is a member of Jacksons Landing Strata Community Association.

Principal Activities

The principal activities of the company during the financial year were 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 profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
(5,484)	17,462

Dividends

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

City West Community Financial Services Limited

Directors' Report

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.

Events since 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.

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:

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Raymond Li Jin Tai	12	12
Carolyn Ann Limmer	12	8
Dr Philip George Ronaldson	12	10
Patricia Teresa Strong	12	6
Gordon Bradley Elkington	12	12
Vinh Van Lam	12	8
Ashley Leander Limbury	12	9
Susan Ngan (<i>Appointed 30 November 2017</i>)	7	6
Gavin Stuart (<i>Appointed 30 November 2017</i>)	7	1
Apichana Hongsuwong (<i>Appointed 30 November 2017, Resigned 1 May 2018</i>)	7	-
John Charles Marsden (<i>Resigned 30 November 2017</i>)	5	5
John Leslie Hoff (<i>Resigned 30 November 2017</i>)	5	1
John Lawrence O'Meally (<i>Resigned 29 November 2017</i>)	5	5

City West Community Financial Services Limited

Directors' Report

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 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*.

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 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the board of directors at Pyrmont, New South Wales on 25 September 2018.



Raymond Li Jin Tai, Chair

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

As lead auditor for the audit of City West Community Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 September 2018



David Hutchings
Lead Auditor

City West Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	710,150	679,272
Employee benefits expense		(357,893)	(336,395)
Charitable donations, sponsorship, advertising and promotion		(19,931)	(29,488)
Occupancy and associated costs		(157,106)	(156,945)
Systems costs		(31,902)	(33,907)
Depreciation and amortisation expense	5	(74,080)	(21,013)
Finance costs	5	(7,920)	(10,290)
General administration expenses		(68,730)	(67,148)
Profit/(loss) before income tax		(7,412)	24,086
Income tax (expense)/credit	6	1,928	(6,624)
Profit/(loss) after income tax		(5,484)	17,462
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(5,484)	17,462
Earnings per share		¢	¢
Basic earnings per share	22	(0.55)	1.75

The accompanying notes form part of these financial statements

City West Community Financial Services Limited

Balance Sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	100	100
Trade and other receivables	8	42,047	42,916
Total current assets		42,147	43,016
Non-current assets			
Property, plant and equipment	9	85,334	145,802
Intangible assets	10	26,433	40,045
Deferred tax asset	11	285,416	283,488
Total non-current assets		397,183	469,335
Total assets		439,330	512,351
LIABILITIES			
Current liabilities			
Trade and other payables	12	33,168	36,240
Borrowings	13	180,857	238,436
Provisions	14	19,626	5,674
Total current liabilities		233,651	280,350
Non-current liabilities			
Trade and other payables	12	6,440	23,184
Provisions	14	5,528	9,622
Total non-current liabilities		11,968	32,806
Total liabilities		245,619	313,156
Net assets		193,711	199,195
EQUITY			
Issued capital	15	961,485	961,485
Accumulated losses	16	(767,774)	(762,290)
Total equity		193,711	199,195

The accompanying notes form part of these financial statements

City West Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2018

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	961,485	(779,752)	181,733
Total comprehensive income for the year	-	17,462	17,462
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 2017	961,485	(762,290)	199,195
Balance at 1 July 2017	961,485	(762,290)	199,195
Total comprehensive income for the year	-	(5,484)	(5,484)
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 2018	961,485	(767,774)	193,711

The accompanying notes form part of these financial statements

City West Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		786,124	742,561
Payments to suppliers and employees		(705,403)	(702,837)
Interest paid		(7,920)	(10,290)
Net cash provided by operating activities	17	72,801	29,434
Cash flows from investing activities			
Payments for intangible assets		(15,222)	(12,880)
Net cash used in investing activities		(15,222)	(12,880)
Net increase in cash held		57,579	16,554
Cash and cash equivalents at the beginning of the financial year		(238,336)	(254,890)
Cash and cash equivalents at the end of the financial year	7(a)	(180,757)	(238,336)

The accompanying notes form part of these financial statements

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 Standards Board (AASB) 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 which 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.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$220,639, on an undiscounted basis (see Note 18).

No significant impact is expected for the company's finance leases.

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.

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®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- training for the branch 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
- sales techniques and proper customer relations.

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits 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 provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)*Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

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 payable (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 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 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 Profit or Loss and Other 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 gain from a bargain purchase.

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

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 are reviewed at the end of each annual reporting period.

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 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 renewal processing 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.

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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

k) Financial instruments (*continued*)

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) Financial liabilities

Financial liabilities include borrowings, trade and other payables and 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 Profit or Loss and Other 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.

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) Issued capital

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

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.

(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.

(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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Financial risk management (continued)

(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.

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 where 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 2018 can be seen in the Statement of Profit or Loss and Other 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.

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. There is therefore 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 Profit or Loss and Other Comprehensive Income.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements (continued)

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 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.

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.

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	575,357	508,053
- services commissions	52,502	89,555
- fee income	57,291	56,664
- market development fund	25,000	25,000
Total revenue from operating activities	<u>710,150</u>	<u>679,272</u>
Total revenues from ordinary activities	<u><u>710,150</u></u>	<u><u>679,272</u></u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Expenses	2018	2017
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	723	918
- leasehold improvements	59,745	6,483
Amortisation of non-current assets:		
- franchise agreement	2,269	2,269
- franchise renewal fee	11,343	11,343
	<u>74,080</u>	<u>21,013</u>
Finance costs:		
- interest paid	<u>7,920</u>	<u>10,290</u>
- Bad debts	<u>355</u>	<u>418</u>

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Movement in deferred tax	(13,952)	(409)
- Recoupment of prior year tax losses	12,024	7,033
	<u>(1,928)</u>	<u>6,624</u>

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows

Operating profit/(loss)	(7,412)	24,086
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	(2,038)	6,624
Add tax effect of:		
- non-deductible expenses	110	-
- timing difference expenses	13,952	409
	<u>12,024</u>	<u>7,033</u>
Movement in deferred tax	(13,952)	(409)
	<u>(1,928)</u>	<u>6,624</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	<u>100</u>	<u>100</u>
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City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7.(a) Reconciliation to cash flow statement		2018	2017
		\$	\$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		100	100
Bank overdraft	13	(180,857)	(238,436)
		<u>(180,757)</u>	<u>(238,336)</u>

Note 8. Trade and other receivables

Trade receivables		37,051	41,564
Prepayments		4,996	1,352
		<u>42,047</u>	<u>42,916</u>

Note 9. Property, plant and equipment

Leasehold improvements			
At cost		214,375	214,375
Less accumulated depreciation		(137,538)	(77,793)
		<u>76,837</u>	<u>136,582</u>
Plant and equipment			
At cost		38,409	38,409
Less accumulated depreciation		(29,912)	(29,189)
		<u>8,497</u>	<u>9,220</u>
Total written down amount		<u>85,334</u>	<u>145,802</u>

Movements in carrying amounts:

Leasehold improvements			
Carrying amount at beginning		136,582	143,065
Additions		-	-
Disposals		-	-
Less: depreciation expense		(59,745)	(6,483)
Carrying amount at end		<u>76,837</u>	<u>136,582</u>
Plant and equipment			
Carrying amount at beginning		9,220	10,138
Additions		-	-
Disposals		-	-
Less: depreciation expense		(723)	(918)
Carrying amount at end		<u>8,497</u>	<u>9,220</u>
Total written down amount		<u>85,334</u>	<u>145,802</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Property, plant and equipment (continued)

Depreciation expense - Change in accounting estimate

Effective 1 July 2017, City West Community Financial Services Limited changed its estimate of useful life for its leasehold improvements. AASB 117 Leases, paragraph 27, states that a leasehold improvements should be fully depreciated over the shorter of the lease term and its useful life. Notwithstanding the ability to renew for another five year period, the current lease is due to expire on 10 December 2019. The board has decided that leasehold improvements are to be depreciated over the remainder of its current lease term. Previously leasehold improvements were depreciated over the estimated useful life of the property of 40 years. The material movement in depreciation expense is disclosed below.

	2018	2017
	\$	\$
Leasehold improvements		
At cost	214,375	214,375
Less accumulated depreciation	(137,538)	(77,793)
	<u>76,837</u>	<u>136,582</u>
Leasehold improvements - depreciation expense	59,745	6,483
Movement	<u>53,262</u>	<u>939</u>

Note 10. Intangible assets

Franchise fee		
At cost	21,343	21,343
Less: accumulated amortisation	(18,130)	(15,861)
	<u>3,213</u>	<u>5,482</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
Renewal processing fee		
At cost	56,713	56,713
Less: accumulated amortisation	(40,645)	(29,302)
	<u>16,068</u>	<u>27,411</u>
Redomicile fee		
At cost	<u>7,152</u>	<u>7,152</u>
Total written down amount	<u>26,433</u>	<u>40,045</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Tax	2018	2017
	\$	\$
Deferred tax assets		
- accruals	770	946
- employee provisions	6,917	4,206
- tax losses carried forward	268,033	280,057
- tax losses carried forward	9,696	-
	<u>285,416</u>	<u>285,209</u>
Deferred tax liability		
- property, plant and equipment	-	1,721
	<u>-</u>	<u>1,721</u>
Net deferred tax asset	<u>285,416</u>	<u>283,488</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(1,928)</u>	<u>26,116</u>

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Whilst the budget for 2018/19 has forecast a loss of \$9,725, \$55,000 is made up of non-cash items which relates to accelerated depreciation on leasehold improvements. The result is a net cash inflow from operations of \$45,275. In addition, the total business growth for the year ended 30 June 2019 is estimated to be \$15,600,000. The board considers it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

Note 12. Trade and other payables

Current:

Trade creditors	5,281	-
Other creditors and accruals	27,887	36,240
	<u>33,168</u>	<u>36,240</u>

Non-Current:

Other creditors and accruals	6,440	23,184
	<u>6,440</u>	<u>23,184</u>

Note 13. Borrowings

Bank overdrafts	<u>180,857</u>	<u>238,436</u>
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The company has an approved overdraft facility of \$575,000. Interest is charged at the commercial interest rate as per agreement with franchisor currently 4.030%. The overdraft is secured by a fixed and floating charge over the company's assets.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions

Current:

Provision for annual leave	11,159	5,674
Provision for long service leave	8,467	-
	<u>19,626</u>	<u>5,674</u>

Non-Current:

Provision for long service leave	<u>5,528</u>	<u>9,622</u>
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Note 15. Issued capital

	2018	2017
	\$	\$
996,511 ordinary shares fully paid (2017: 996,511)	996,511	996,511
Less: equity raising expenses	(35,026)	(35,026)
	<u>961,485</u>	<u>961,485</u>

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®** branch have the same ability to influence the operation of the company.

(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 2001*.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital (*continued*)

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 242 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.

Note 16. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(762,290)	(779,752)
Net profit/(loss) from ordinary activities after income tax	(5,484)	17,462
Balance at the end of the financial year	<u>(767,774)</u>	<u>(762,290)</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(loss) from ordinary activities after income tax	(5,484)	17,462
Non cash items:		
- depreciation	60,468	7,401
- amortisation	13,612	13,612
Changes in assets and liabilities:		
- (increase)/decrease in receivables	869	(3,864)
- (increase)/decrease in other assets	(1,928)	6,624
- decrease in payables	(4,594)	(16,526)
- increase in provisions	9,858	4,725
Net cash flows provided by operating activities	<u>72,801</u>	<u>29,434</u>

Note 18. Leases

2018 **2017**
\$ \$

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	147,093	142,809
- between 12 months and 5 years	73,546	214,213
- greater than 5 years	-	-
	<u>220,639</u>	<u>357,022</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease has no further extension provisions available. The lease is due for renewal in December 2019.

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,400	4,200
- share registry services	1,885	1,885
- other non audit services	3,720	2,390
	<u>10,005</u>	<u>8,475</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Director and related party disclosures

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

Raymond Li Jin Tai
 Carolyn Ann Limmer
 Philip George Ronaldson
 Patricia Teresa Strong
 Gordon Bradley Elkington
 Vinh Van Lam
 Ashley Leander Limbury
 Susan Ngan (*Appointed 30 November 2017*)
 Gavin Stuart (*Appointed 30 November 2017*)
 Apichana Hongsuwong (*Appointed 30 November 2017, Resigned 1 May 2018*)
 John Charles Marsden (*Resigned 30 November 2017*)
 John Leslie Hoff (*Resigned 30 November 2017*)
 John Lawrence O'Meally (*Resigned 29 November 2017*)

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

Directors Shareholdings	<u>2018</u>	<u>2017</u>
Raymond Li Jin Tai	15,000	15,000
Carolyn Ann Limmer	1,000	-
Philip George Ronaldson	-	-
Patricia Teresa Strong	5,001	5,001
Gordon Bradley Elkington	1,100	1,100
Vinh Van Lam	500	-
Ashley Leander Limbury	1,501	1,501
Susan Ngan (<i>Appointed 30 November 2017</i>)	-	-
Gavin Stuart (<i>Appointed 30 November 2017</i>)	-	-
Apichana Hongsuwong (<i>Appointed 30 November 2017, Resigned 1 May 2018</i>)	-	-
John Charles Marsden (<i>Resigned 30 November 2017</i>)	5,001	5,001
John Leslie Hoff (<i>Resigned 30 November 2017</i>)	50,501	50,501
John Lawrence O'Meally (<i>Resigned 29 November 2017</i>)	-	-

There was movement in directors shareholdings during the year.

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.

Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Pymont. There is no requirement to own BEN 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. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2018 (2017: \$nil).

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Earnings per share	2018	2017
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(5,484)	17,462
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	996,511	996,511

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. 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
148 Harris Street
Pymont NSW 2009

Principal Place of Business
148 Harris Street
Pymont NSW 2009

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	100	100	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	37,051	41,564	N/A	N/A
Financial liabilities												
Interest bearing liabilities	180,857	238,436	-	-	-	-	-	-	-	-	3.83	4.10
Payables	-	-	-	-	-	-	-	-	5,281	-	N/A	N/A

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

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(1,809)	(2,384)
Decrease in interest rate by 1%	1,809	2,384
Change in equity		
Increase in interest rate by 1%	(1,809)	(2,384)
Decrease in interest rate by 1%	1,809	2,384

City West Community Financial Services Limited

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 2018 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.



Raymond Li Jin Tai, Chair

Signed on the 25th of September 2018.

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of City West Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

City West Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it 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 is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 September 2018



David Hutchings
Lead Auditor

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DATE: September 2018

Pymont
Community Bank® Branch

