



**City West
Community
Financial
Services
Limited**

ABN 34 134 051 219

Annual Report

30 June 2021

Community Bank Darling Square

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Acknowledgement of Country

The Company acknowledges the Gadigal People of the Eora Nation who are the Traditional Custodians of the land in which we operate.

We pay respect to the Elders, past, present and emerging, and extend that respect to other Aboriginal people.



Figure 1. View from Liitle Pier / Harbour Street corner

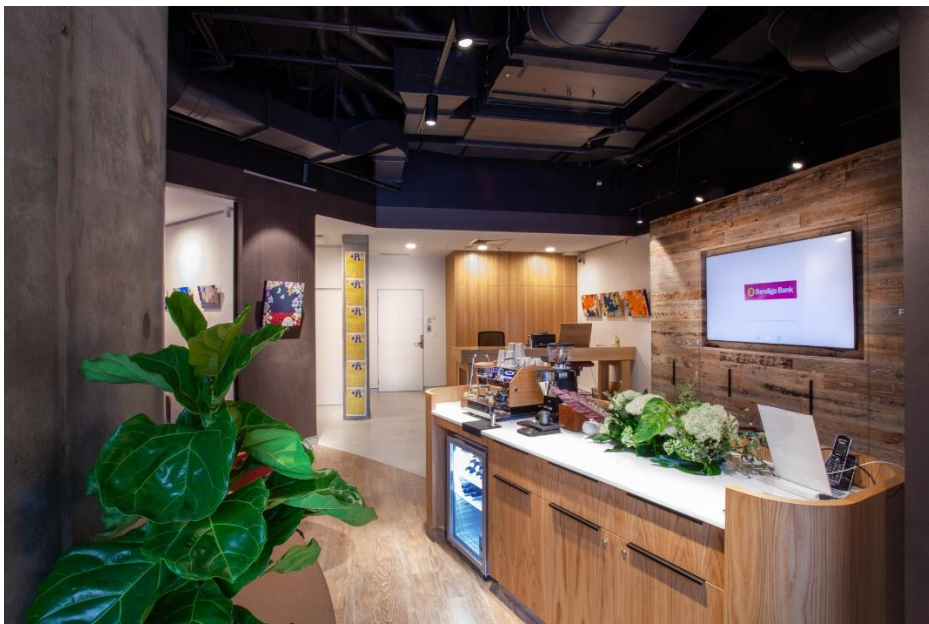


Figure 2 View to Welcome desk and tellers

Chairman's Report

FY2021 overview

Firstly, we'd like to acknowledge the anxiety, mental health impacts and economic stress in our neighbourhoods and communities. While we all continue to do our part, I'm optimistic that the worst is behind us as vaccination rates increase and the measures to control movement are therefore decreased.

In this environment, we are indeed pleased to report that our business has performed well in FY2021.

The ambition to become the '#1 community bank' in the Bendigo Bank family has been the spirit that the team bring to the business on a daily basis.

The organisation is now more resilient and can adapt and evolve to ensure that we are fit for the future.

We are quietly optimistic that the business has turned the corner. While margins on current deals are the lowest the banking sector has seen, we believe that the business will benefit when interest rates start to increase in the medium term.

Financial results for FY2021 have been positive on multiple fronts.

- a. Our bank book grew a considerable 40% year-on-year, and underlying revenues grew of 11.5% year-on-year. A very satisfactory result considering the period of uncertainty coupled with a very competitive market that resulted in the historically low net interest margins for banks.
- b. **EBITDA** of \$331k in FY2021 reflects a 13.3% increase on the prior year. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is an indicator that we follow closely. It indicates our capability to invest in opportunities for growth, provide community contributions and deliver dividends to shareholders.

Table 1: Profit before income tax and EBITDA comparisons

COMPARING RESULTS: FY2021 VS FY2020	FY2021	FY2020
	\$ 000	\$ 000
PROFIT BEFORE INCOME TAX	145	44
Add: AASB16 Accounting for leases (change in FY2020)	-	55
PROFIT BEFORE INCOME TAX (adjusted)	145	99
Add: Finance cost	45	25
Add: Depreciation and amortisation expense	142	101
EBITDA	331	224
Add: One-time relocation costs, growth investments	-	67
UNDERLYING EBITDA	331	292

*Note: for an apples-to-apples comparison with FY2020, it is appropriate to note FY2020 adjustments for one-time costs associated with the relocation, change in accounting for leases and investments in growth initiatives.

- c. **Dividends**. The board has determined that the company is in a position to issue dividends. We are pleased to announce an inaugural dividend of 5 cents per share on an unfranked basis.
- d. **Community Contributions** grew by 400% in FY2021. This reflects the immediate needs of community partners during this challenging period and our ability to support the great work they do.

Looking ahead

We have reason to look to the future with confidence. The brand of our partner, **Bendigo Bank**, is strong and it continues to be one of Australia's most trusted brands. The company's Community Bank **Darling Square** branch presents as a leader in customer service.

Our business prospects are good with the capability to grow faster than the industry average.

Finally, we are very pleased to be able to deliver a healthy first dividend. Whilst headwinds remain, the board is clear in our mission to continue delivering shareholder value into the future.

Acknowledgements

Our Customers. Bendigo Bank customers are often rated the most satisfied banking customers in Australia. Our Community Bank Darling Square staff do not take this for granted where our ambition is to be at the leading edge of customer satisfaction. Thank you for your continuing support.

Banking Team. Our wonderful banking team are our best ambassadors. They strive each day to serve and delight to the best of their abilities. During this challenging period, we are proud of the way the branch staff have come together to stay safe and keep the doors open while continuing to meet our customer needs in this uncertain time. Thank You team!

I'd like to thank **Daniel Ye**, who shared our vision since joining the team. Daniel has done a wonderful job. He brought commitment to outcomes, a 'customer first' ethos and teamwork and has indeed delivered on the ambitious milestones that we believed possible. Due to circumstances posed by covid, Daniel decided on a change. We sincerely wish him all the best.

Board members and advisors. My fellow directors and board advisors bring deep skills and significant experience to help the business steer its way through this period of enormous change. They are all wonderful ambassadors for the community bank. The board believes that community engagement is a key driver for long-term growth, and we plan to continue to improve these capabilities as the business grows. Thank You for your service.

I'd like to thank and acknowledge board members who have retired or are retiring.

Ian Bulluss graciously accepted a second stint and as usual contributed to discussions in his trademark dispassionate and intelligent manner. Ian retired from the board at the end of the financial year and continues as an advisor.

Phil Ronaldson's service on the board has been the most versatile and served as ordinary director, treasurer, and company secretary. I thank him for his commitment and encouragement to take the **Pymont Monopoly project** over the line. Phil is moving back south of the border to be closer to family.

Amanda Collins is a powerhouse in enterprise Environmental, Social & Governance (ESG) and a leading light in community engagement. We have benefitted enormously from her modelling of the approach and clarity in discussions around measuring benefit and models of engagement. Mandy is moving west of the border to further her career and be closer to family.

Lendlease-DSQ Community Bank Fund. We are especially pleased to collaborate with Lendlease in forming this fund. The Fund's goal is to champion and promote residents, community groups and enterprises as well as events and projects near and dear to the Darling Square community. It's heart-warming knowing that we have a partner who have in their DNA a commitment to connect communities.

Special thanks to **Amanda Collins, Scott Sullivan**, and **Neil Arckless** for your support and the belief that significant benefits can be delivered well into the future.

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

Kind Regards,



Raymond Tai

Branch report

FY 2020-21 has been a challenging year for the banking business in Australia, due to:

- Increase of competition
- Regulatory Compliance
- Customer retention

This was also a very special year for City West Community Financial Services which experienced all of the challenges in banking business due to lockdown restrictions under Covid-19 Health Orders.

The staff braced for headwinds during the financial year, yet we managed to achieve the best growth since we opened for business over 10 years ago.

The business portfolio recorded a record growth of 40% from the last financial year. The portfolio shows strong growth in residential lending as well as deposits.

I would like to take this opportunity to thank all the team members in the branch for their effort and their contribution.

Thank you to all members of the board of directors and Bendigo Bank business partners who worked together with the branch staff to achieve this outstanding result in this difficult year.

We would also thank all the shareholders and customers supporting us and supporting the community - without you we would not be able to make such an outstanding milestone for the business and contributions back to the community.

Under the leadership of the current board and their contribution we are looking forward for another strong growth for the coming financial year.

Daniel Ye

Sponsorships, Contributions & Partnerships

Community engagement

The City West Community Financial Services Limited board and team take a view that a good foundational principle for community engagement is to provide meaningful assistance with every interaction.

We think it's a high bar for success, but one worth keeping top of our minds and an ideal worth pursuing.

Engagement model

We support community organisations, businesses, projects, events or ideas that benefit the community.

We take the view that the community around us are included via physical connections and, especially in this digital age, connections via interest groups.

Funding provided should not be the only measure of community support. Our approach is to engage as community partner: that means, where we are able, we support by making connections, volunteering time and provide funding for initiatives that we believe worthwhile.

For example: Community projects, Groups, teams, chapters, events, Education scholarships and grants, products & services that directly benefit our local community.

Community Partnership examples (since 2010)

Anzac Day Service at Union Square	Pymont Christmas Childrens Group
ArtShine (art exhibitions)	Pymont Community Centre
Bendigo Run (running group)	Pymont Community Garden
Bluefins Dragon Boat Team	Pymont Community Monthly Lunch
Bright* (Entrepreneurship Facilitation)	Pymont History Group
Captain Bagrat Media (TV show pilot)	Pymont Monopoly project
CASS Care Limited	Pymont Ultimo Chamber of Commerce
Carols in Union Square	Pymont Ultimo Landcare
Carols in Quarry Green	Pymont Wine & Food Festival
Chinese Youth League	Rough Edges (Darlinghurst)
Christmas in Pymont	Rural Aid
Dai Hong Martial Arts Academy	Spanish Community Care Association
Destructive Steps Dance Association	St James Catholic Primary School
Drought Relief donations	Soul of Chinatown
Foodbank NSW (breakfast for schools)	StartSomeGood (ThinkActChange talks)
Friends of Pymont	Stepping Stone House
Fusion Culture Group	Sydney CBD Football Club
Haymarket Chamber of Commerce	Sydney Heritage Fleet
Heart Dancers	Sydney Secondary College
Impact100 Sydney	Sydney Flames Basketball Team
International Grammar School	Sydney Uni Football Club
KU Childrens Services (Pymont)	Ultimo Community Centre
Lendlease-Darling Sq Community Fund	Ultimo Community Garden
Maybanke Recreation Centre	Ultimo Fun Run
MoodActive (exercise to lift your mood)	Ultimo Public School
Mustard Seed Ultimo	Ultimo Public School fun run
Museum of Chinese in Australia (MOCA)	Ultimo Japanese School
NAIDOC events in Ultimo	Uniting Harris Community Centre
PUG Mens Shed (Pymont-Ultimo-Glebe)	Uptown Crickets
Pymont Cares	

Dividends

Dividends to Shareholders			
Financial Year	Amount per share	Franking level	Date paid
2020 - 2021	\$0.05	\$0.00	16 / 12 / 2021
2019 - 2020	---	---	---

Bendigo and Adelaide Bank Report

CB Annual Report 2021

BEN message

26 August 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

City West

Community Financial Services Limited

ABN: 34 134 051 219

Financial Report

For the year ended

30 June 2021

City West Community Financial Services Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Raymond Li Jin Tai

Chair

Occupation: Business Advisor

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 and Community Committee

Interest in shares: 15,000 ordinary shares

Dr Philip George Ronaldson PhD

Non-executive 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: Company Secretary

Interest in shares: 1,000 ordinary shares

Vinh Van Lam

Non-executive director

Occupation: Business Coach

Qualifications, experience and expertise: Vinh is an entrepreneur with direct, real world experience across industries including Retail, Tourism & Hospitality, Manufacturing, and Financial Services. Vinh has hands on experience running multiple business enterprises, and an extensive track record in retail management and sales & marketing management, having worked with companies including Grace Bros. Limited, Myers, Airport Fine Foods, Pine Timberland Home, BankWest, and St. George Bank. As a Business Coach Vinh specialises in working with Art & Design businesses, and all creative professionals helping them build and grow their businesses. Delivering a full service business planning and coaching service that includes networking, digital marketing, social media management, performance analysis, performance management, retail sales, and sales management.

Vinh is a versatile retail and management professional with twenty years industry experience, and a proven track record of continuous achievement across various sectors. Vinh has extensive experience in the development of new businesses from concept. This includes training, coaching and developing new staff, creating new processes & procedures, and motivating a new team to consistently exceed targets. Vinh has a proven record of change management, turnaround, review, and restructure of established businesses. This includes direct experience inspiring the rapid increase of sales, and the improvement of staff morale, productivity, and sales over budget.

Special responsibilities: Local community engagement director

Interest in shares: 500 ordinary shares

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

Ashley Leander Limbury

Non-executive director

Occupation: Mediator and Conflict Resolution Consultant

Qualifications, experience and expertise: Ashley is an experienced mediator and tribunal member primarily involved with workplace, discrimination and commercial matters. Ashley also has retail tenancy and franchising mediation expertise and experience in Human Resources and staff management. His qualifications include: M.B.A., (University of Technology Sydney). B.Ec. (Soc,Sci) (Hons.), (Sydney University).

Special responsibilities: Human Resources Committee

Interest in shares: 6,501 ordinary shares

Raymond Chung Jil Seeto

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Ray is a Accountant specialising in R&D and EMDG advice to SME's and a mortgage broker. Ray's career has been varied and broad across a wide range of industries and companies in Australia and China having Finance Director roles for Avon China and Danone China. He has opened new markets as an entrepreneur and regional director in China and Australia/New Zealand for medical device and renewable energy companies. Ray holds a Bachelor of Business and is an associate member of the CPA and MFAA. Ray is a keen photographer and videographer and is constantly learning to improve his craft. He is a passionate runner, cyclist and is training for his first triathlon.

Special responsibilities: Treasurer and Finance and Audit Committee

Interest in shares: nil share interest held

Amanda Louise Collins

Non-executive director

Occupation: Director, Stakeholder Engagement & Social Sustainability

Qualifications, experience and expertise: Amanda is a Stakeholder Engagement and Social Sustainability specialist with over 12 years' experience working on major urban renewal projects across Australia and internationally. Amanda is passionate about enhancing cities by creating vibrant places that people enjoy spending time in and supporting communities to thrive. She enjoys collaborating with community and business groups to create meaningful and mutually beneficial social outcomes. Amanda's qualifications include a Bachelor of Commerce (Management and Marketing majors) and a Bachelor of Arts (Psychology major).

Special responsibilities: Community Committee

Interest in shares: nil share interest held

Matthew James Phelps

Non-executive director (Bendigo Bank nominee)

Occupation: Area Manager NSW/ACT – Mobile Lending

Qualifications, experience and expertise: Bachelor of International Business, Bachelor of Business (Financial Planning), CFP Financial Planning and Services.

Special responsibilities: Nil

Interest in shares: nil share interest held

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

Luke James Goldworthy

Non-executive director

Occupation: CEO of The Playhouse Group Pty Ltd

Qualifications, experience and expertise: With a history of executive, operational and managerial roles across several retailers like Woolworths, David Jones and Target, Luke is a senior leadership figure dedicated to guiding diverse teams to ongoing success through education, learning and collaboration. He has spent over 20 years learning all about the worlds of retail, marketing, operations, buying and procurement and e-commerce. He now spends his time educating others on the development and implementation of online business and marketing strategies. Luke is engaged with the world of digital, especially in the digital transformation of business and industry. Luke works with clients directing their companies and their Boards in the fascinating digital world and its interactions with the current philosophies of retail and trade.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Jason Conor Grindlay

Non-executive director (Bendigo Bank nominee)

Occupation: Fund Manager

Qualifications, experience and expertise: Connor holds a Masters degree in Civil Engineering with European studies (Spanish), worked at Credit Suisse in London and New York in the investment banking business, as well as a \$6bn ex-Fidelity investments carve out, \$35bn global hedge fund and \$5bn family office. He manages an investment firm that holds an AFSL and allocate capital to investments across the world, across multiple sectors. He has a balance with a focus on family life, with children and energetic dogs. He is looking for multiplier charities/philanthropic opportunities, primarily in education where outcomes can be measured and scaled.

Other current public company directorships: Kaizen Global Investments

Special responsibilities: nil

Interest in shares: nil share interest held

Kim Hann

Non-executive director (appointed 10 December 2020)

Occupation: Senior Director Growth and Partnership at Venntifact

Qualifications, experience and expertise: A passionate business leader who is committed and accomplished in delivering outcomes and value across Customer Experience management, Marketing and Sales technologies. A pragmatic CX and digital practitioner working at the intersection of customer data and real-time interactions delivering omni-channel connected customer experiences. Kim has held executive roles across a number of organisations ranging from Digital Marketing, Customer Experience and Transformation Consulting agencies, working with global leading brands.

Special responsibilities: Member of the Marketing Team

Interest in shares: nil share interest held

Ian Gregory Bulluss

Non-executive director (resigned 30 June 2021)

Occupation: Retired

Qualifications, experience and expertise: Ian's long career within NSW Government saw his information technology and management expertise extensively engaged within Education and Community services. Prior to retirement, Ian held the position of Manager, Contracts & Relationship Management within the NSW Department of Family and Community Services. Ian resides in Pyrmont and is an active member of the local community and the NSW Justice Association. His qualifications include; Diploma in Teaching (Sydney College of Adv. Ed.), Bachelor of Arts (University of New England), Graduate Diploma in Computing (Sydney College of Adv. ED.), Certificate in Management (University of Western Sydney), Master of Computing (University of Western Sydney), and Master of Business Administration (Sturt University, Bathurst).

Special responsibilities: Audit and Governance Committee

Interest in shares: 10,501 ordinary shares

City West Community Financial Services Limited

Directors' Report

Directors (continued)

Susan Ngan

Non-executive director (resigned 10 December 2020)

Occupation: Business consultant and casual Academic Session Staff for University Sydney and UTS University

Qualifications, experience and expertise: Susan has held past Treasurer and Chair of the Audit and Finance Committee City West Financial Services Ltd, also past 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. Chartered Accountants of Australia New Zealand (ACA)(PCA) and Finsia.

Special responsibilities: Finance and Audit Committee

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Dr Philip George Ronaldson. Philip was appointed to the position of secretary on 30 November 2017.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
105,342	28,838

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Raymond Li Jin Tai	15,000	-	15,000
Dr Philip George Ronaldson PhD	1,000	-	1,000
Vinh Van Lam	500	-	500
Ashley Leander Limbury	1,501	5,000	6,501
Raymond Chung Jil Seeto	-	-	-
Jason Conor Grindlay	-	-	-
Amanda Louise Collins	-	-	-
Matthew James Phelps	-	-	-
Luke James Goldworthy	-	-	-
Kim Hann	-	-	-
Ian Gregory Bulluss	10,501	-	10,501
Susan Ngan	-	-	-

City West Community Financial Services Limited

Directors' Report

Dividends

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount \$
Final unfranked dividend	5.00	49,826

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other 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

Since the end of the financial year, the board of directors has proposed to pay an unfranked dividend of 5 cents per share. The financial impact of the dividend, amounting to \$49,826, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

There are no other 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.

City West Community Financial Services Limited

Directors' Report

Directors' meetings

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

	Board Meetings	
	<u>Eligible</u>	<u>Attended</u>
Raymond Li Jin Tai	12	12
Dr Philip George Ronaldson PhD	12	8
Vinh Van Lam	12	9
Ashley Leander Limbury	12	12
Raymond Chung Jil Seeto	12	12
Jason Conor Grindlay	12	10
Amanda Louise Collins	6	5
Matthew James Phelps	12	2
Luke James Goldworthy	12	4
Kim Hann	6	5
Ian Gregory Bulluss	12	7
Susan Ngan	6	3

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 note 30 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of the non-audit services is compatible with, and 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, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

City West Community Financial Services Limited

Directors' Report

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 directors at Darling Square, New South Wales.



Raymond Li Jin Tai, Chair

Dated this 21st day of September 2021

Independent 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 2021, 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: 21 September 2021



Joshua Griffin
Lead Auditor

City West Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	816,859	732,357
Other revenue	9	124,288	94,717
Gross trading profit/(loss)	10	(16,316)	(5,348)
Finance income	11	306	125
Employee benefit expenses	12d)	(338,612)	(356,122)
Charitable donations, sponsorship, advertising and promotion		(106,469)	(22,224)
Occupancy and associated costs		(24,433)	(140,323)
Systems costs		(31,738)	(40,629)
Depreciation and amortisation expense	12a)	(141,872)	(100,991)
Impairment losses	12b)	-	(7,152)
Finance costs	12c)	(45,031)	(24,473)
General administration expenses		(92,435)	(85,547)
Profit before income tax expense		144,547	44,390
Income tax expense	13a)	(39,205)	(15,552)
Profit after income tax expense		105,342	28,838
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		105,342	28,838
Earnings per share		¢	¢
- Basic and diluted earnings per share:	33a)	10.57	2.89

The accompanying notes form part of these financial statements

City West Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	14a)	358,455	111,934
Trade and other receivables	15a)	73,764	103,108
Inventory	16	13,365	34,264
Total current assets		445,584	249,306
Non-current assets			
Property, plant and equipment	17a)	407,863	457,919
Right-of-use assets	18a)	670,161	739,341
Intangible assets	19a)	45,040	58,108
Deferred tax asset	20a)	193,338	232,543
Total non-current assets		1,316,402	1,487,911
Total assets		1,761,986	1,737,217
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	74,904	27,600
Loans and borrowings	22a)	-	105,383
Lease liabilities	23a)	62,259	26,369
Employee benefits	25a)	42,305	23,641
Total current liabilities		179,468	182,993
Non-current liabilities			
Trade and other payables	21b)	35,909	50,769
Loans and borrowings	22b)	249,850	250,000
Lease liabilities	23b)	839,534	893,091
Employee benefits	25b)	331	9,885
Provisions	24a)	30,941	29,868
Total non-current liabilities		1,156,565	1,233,613
Total liabilities		1,336,033	1,416,606
Net assets		425,953	320,611
EQUITY			
Issued capital	26a)	961,485	961,485
Accumulated losses	27	(535,532)	(640,874)
Total equity		425,953	320,611

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 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	961,485	(669,712)	291,773
Total comprehensive income for the year	-	28,838	28,838
Balance at 30 June 2020	961,485	(640,874)	320,611
Balance at 1 July 2020	961,485	(640,874)	320,611
Total comprehensive income for the year	-	105,342	105,342
Balance at 30 June 2021	961,485	(535,532)	425,953

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 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		996,233	902,480
Payments to suppliers and employees		(536,078)	(669,897)
Interest received		310	119
Interest paid		(14,133)	(8,819)
Lease payments (interest component)	12c)	(29,912)	(15,095)
Lease payments not included in the measurement of lease liabilities	12e)	(16,021)	(88,442)
Net cash provided by operating activities	28	400,399	120,346
Cash flows from investing activities			
Payments for property, plant and equipment		(6,295)	(479,544)
Payments for intangible assets		(13,508)	(11,534)
Net cash used in investing activities		(19,803)	(491,078)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	250,000
Repayment of loans and borrowings		(150)	-
Lease payments (principal component)		(28,542)	(9,485)
Proceeds from lease arrangements		-	180,000
Net cash provided by/(used in) financing activities		(28,692)	420,515
Net cash increase in cash held		351,904	49,783
Cash and cash equivalents at the beginning of the financial year		6,551	(43,232)
Cash and cash equivalents at the end of the financial year	14b)	358,455	6,551

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 2021

Note 1 Reporting entity

This is the financial report for City West Community Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop NE12, 11 Little Pier Street Haymarket NSW 2000	Shop NE12, 11 Little Pier Street Haymarket NSW 2000

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 31.

Note 2 Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 21 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Changes in accounting policies, standards and interpretations

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank 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.

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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

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.

Core banking products

Bendigo Bank has identified some 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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Ability to change financial return

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

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

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Gross profit from trading	Monopoly sales income and cost of goods sold expense are recognised at the point of sale.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

b) Other revenue (*continued*)

Cash flow boost

In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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 Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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 premises
- 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
- providing payroll services.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line	2.5 to 10 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise. The company has also acquired a customer list from Bendigo Bank.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents, borrowings and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial 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 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).

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 is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) 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.

l) 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

m) Leases (*continued*)

As a lessee (continued)

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

<u>Note</u>	<u>Judgement</u>
- Note 23 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 25 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 24 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. 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 company. The company does not use derivative instruments.

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

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company maintains the following lines of credit with Bendigo Bank:

- \$275,000 overdraft facility that was not drawn upon as at the end of the financial year.
- \$250,000 commercial loan with available redraw facility of \$150 at the end of the financial year.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	249,850	-	249,850	-
Lease liabilities	901,793	90,746	474,324	478,181
Trade and other payables	110,813	74,904	35,909	-
	<u>1,262,456</u>	<u>165,650</u>	<u>760,083</u>	<u>478,181</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	105,383	105,383	-	-
Bank loans	250,000	-	250,000	-
Lease liabilities	919,460	56,380	293,551	757,422
Trade and other payables	78,369	27,600	50,769	-
	<u>1,353,212</u>	<u>189,363</u>	<u>594,320</u>	<u>757,422</u>

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

c) Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank 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

The company held cash and cash equivalents of \$358,455 at 30 June 2021 (2020: \$111,934). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company 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 2021 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 8 Revenue from contracts with customers

	2021	2020
	\$	\$
- Margin income	729,226	615,262
- Fee income	38,999	48,862
- Commission income	48,634	68,233
	<u>816,859</u>	<u>732,357</u>

Note 9 Other revenue

	2021	2020
	\$	\$
- Market development fund income	13,125	24,761
- Cash flow boost	26,313	43,855
- Other	84,850	26,101
	<u>124,288</u>	<u>94,717</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10 Gross trading profit/(loss)

This account relates the transactions involved in the fundraising project involving a Pymont Edition of the Monopoly board game. See note 16 for more information.

	2021 \$	2020 \$
<i>Sales</i>		
- Sales - monopoly	4,583	11,490
<i>Less: Cost of sales</i>		
- Opening stock on hand	34,264	51,102
- Less:		
Closing stock on hand - at cost	24,690	34,264
Write down to net realisable value	11,325	-
Gross profit/(loss)	<u>(16,316)</u>	<u>(5,348)</u>

Note 11 Finance income

	2021 \$	2020 \$
- Term deposits	<u>306</u>	<u>125</u>

Note 12 Expenses

a) Depreciation and amortisation expense

	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	41,347	44,613
- Plant and equipment	7,315	4,562
	<u>48,662</u>	<u>49,175</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>80,142</u>	<u>38,913</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,178	2,150
- Franchise renewal process fee	10,890	10,753
	<u>13,068</u>	<u>12,903</u>
Total depreciation and amortisation expense	<u>141,872</u>	<u>100,991</u>

b) Impairment expense

Impairment of intangible assets:

- Domiciled customer accounts	<u>-</u>	<u>7,152</u>
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See note 19c) for information on impairment loss.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 12 Expenses (continued)

c) Finance costs	2021 \$	2020 \$
- Bank overdraft interest paid or accrued	14,133	8,819
- Lease interest expense	29,912	15,095
- Unwinding of make-good provision	986	559
	<u>45,031</u>	<u>24,473</u>

Finance costs are recognised as expenses when incurred using the effective interest rate.

d) Employee benefit expenses

Wages and salaries	304,739	222,709
Non-cash benefits	-	116
Contributions to defined contribution plans	34,107	29,971
Expenses related to long service leave	(21,742)	(6,124)
Staff recruitment expense	-	18,642
Other expenses	21,508	109,450
	<u>338,612</u>	<u>356,122</u>

e) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

The company pays for the right to use a self-storage unit. The lease agreement is expired and continues on existing terms on a month-by-month basis with no significant penalty for termination. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting.

In the previous financial year the company relocated branches. The lease agreement for the previous branch expired in November 2019. As such the lease was assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	14,389	21,957
Expenses relating to short-term leases	1,632	66,485
	<u>16,021</u>	<u>88,442</u>

Note 13 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Recoupment of prior year tax losses	36,332	-
- Future income tax benefit attributable to losses	-	(62,434)
- Movement in deferred tax	(4,861)	64,570
- Reduction in company tax rate	7,734	13,416
	<u>39,205</u>	<u>15,552</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 13 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021	2020
	\$	\$
Operating profit before taxation	144,547	44,390
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	37,582	12,207
Tax effect of:		
- Non-deductible expenses	730	1,989
- Temporary differences	4,861	(64,570)
- Other assessable income	(6,841)	(12,060)
- Movement in deferred tax	(4,861)	64,570
- Reduction in company tax rate	7,734	13,416
	<u>39,205</u>	<u>15,552</u>

Note 14 Cash and cash equivalents

a) Cash and cash equivalents	2021	2020
	\$	\$
- Cash at bank and on hand	329,424	82,903
- Term deposits	29,031	29,031
	<u>358,455</u>	<u>111,934</u>

b) Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The below figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as

	Note	2021	2020
		\$	\$
- Cash at bank and on hand		329,424	82,903
- Term deposits		29,031	29,031
- Bank overdraft	22a)	-	(105,383)
		<u>358,455</u>	<u>6,551</u>

Note 15 Trade and other receivables

a) Current assets	2021	2020
	\$	\$
Trade receivables	73,687	53,263
Prepayments	75	7,016
Other receivables and accruals	2	42,829
	<u>73,764</u>	<u>103,108</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 16 Inventory

	2021 \$	2020 \$
- At net realisable value	13,365	-
- At cost	-	34,264
	<u>13,365</u>	<u>34,264</u>

Inventory held is based on a special fund raising project called Monopoly, based on the board game with a focus on the local area of Pymont with the idea to provide local support and benefits to the community. The Monopoly boards began being sold during the 2018/19 financial year.

During the year the company remeasured inventory to net realisable value as the Monopoly boards were being sold for below cost. The remeasurement resulted in a loss of \$11,325 in the Statement of Profit or Loss and Other Comprehensive Income.

Note 17 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	415,627	420,368
Less: accumulated depreciation	(64,576)	(23,581)
	<u>351,051</u>	<u>396,787</u>
<i>Plant and equipment</i>		
At cost	71,606	68,611
Less: accumulated depreciation	(14,794)	(7,479)
	<u>56,812</u>	<u>61,132</u>
Total written down amount	<u>407,863</u>	<u>457,919</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	396,787	21,032
Additions	3,300	420,368
Disposals	(7,689)	-
Depreciation	(41,347)	(44,613)
	<u>351,051</u>	<u>396,787</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	61,132	7,774
Additions	2,995	59,176
Disposals	-	(1,256)
Depreciation	(7,315)	(4,562)
	<u>56,812</u>	<u>61,132</u>
Total written down amount	<u>407,863</u>	<u>457,919</u>
c) Changes in estimates		

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 18 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	789,216	778,254
Less: accumulated depreciation	(119,055)	(38,913)
Total written down amount	<u>670,161</u>	<u>739,341</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	739,341	-
Additional right-of-use assets recognised	-	778,254
Remeasurement adjustments	10,962	-
Depreciation	(80,142)	(38,913)
Total written down amount	<u>670,161</u>	<u>739,341</u>

During the year lease liabilities and right-of-use assets were remeasured to recognise a change in future expected lease payments.

Note 19 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	32,233	32,233
Less: accumulated amortisation	(24,726)	(22,548)
	<u>7,507</u>	<u>9,685</u>
<i>Franchise establishment fee</i>		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
<i>Franchise renewal process fee</i>		
At cost	111,163	111,163
Less: accumulated amortisation	(73,630)	(62,740)
	<u>37,533</u>	<u>48,423</u>
<i>Cash-generating unit - domiciled accounts</i>		
At cost	7,152	7,152
Less: accumulated impairment	(7,152)	(7,152)
	<u>-</u>	<u>-</u>
Total written down amount	<u>45,040</u>	<u>58,108</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 19 Intangible assets (continued)

b) Reconciliation of carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
Carrying amount at beginning	9,685	945
Additions	-	10,890
Amortisation	(2,178)	(2,150)
	7,507	9,685
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	48,423	4,726
Additions	-	54,450
Amortisation	(10,890)	(10,753)
	37,533	48,423
<i>Cash-generating unit - domiciled accounts</i>		
Carrying amount at beginning	-	7,152
Impairment	-	(7,152)
	-	-
Total written down amount	45,040	58,108

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

During the prior period the company re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company based on new information from Bendigo Bank relating to the customer product life cycle.

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of \$7,152 has been recognised in this previous financial year.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 20 Tax assets and liabilities

a) Deferred tax	2021	2020
	\$	\$
<i>Deferred tax assets</i>		
- expense accruals	1,087	780
- employee provisions	10,715	8,717
- make-good provision	7,735	7,766
- lease liability	225,448	239,060
- carried-forward tax losses	217,302	262,326
Total deferred tax assets	<u>462,287</u>	<u>518,649</u>
<i>Deferred tax liabilities</i>		
- income accruals	1	2
- property, plant and equipment	74,408	56,435
- right-of-use assets	167,540	192,229
- lease incentive	27,000	37,440
Total deferred tax liabilities	<u>268,949</u>	<u>286,106</u>
Net deferred tax assets (liabilities)	<u>193,338</u>	<u>232,543</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(39,205)</u>	<u>(15,552)</u>

Note 21 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities	2021	2020
	\$	\$
Trade creditors	16,948	9,264
Other creditors and accruals	57,956	18,336
	<u>74,904</u>	<u>27,600</u>
b) Non-current liabilities		
Other creditors and accruals	<u>35,909</u>	<u>50,769</u>

Note 22 Loans and borrowings

a) Current liabilities	2021	2020
	\$	\$
Bank overdraft	<u>-</u>	<u>105,383</u>
The company has an approved overdraft limit of \$275,000 which was not drawn down at the end of the current financial year. Interest is recognised using the effective interest method, currently 2.78% (2020: 0.00%).		
b) Non-current liabilities		
Secured bank loans	<u>249,850</u>	<u>250,000</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 22 Loans and borrowings (continued)

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.035%	Floating	-	-	105,383	105,383
Secured bank loans	4.39%	Floating	249,850	249,850	250,000	250,000

Note 23 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 3.25%.

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

The company's lease portfolio includes:

- Darling Square Branch The lease agreement commenced in October 2019 for a 5 year term. The company has 1 x 5 year renewal option available, which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is October 2029.

a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	90,746	56,380
Unexpired interest	(28,487)	(30,011)
	62,259	26,369

b) Non-current lease liabilities

Property lease liabilities	952,505	1,050,973
Unexpired interest	(112,971)	(157,882)
	839,534	893,091

c) Reconciliation of lease liabilities

Balance at the beginning	919,460	-
Additional lease liabilities recognised	-	928,945
Remeasurement adjustments	10,875	-
Lease interest expense	29,912	15,095
Lease payments - total cash outflow	(58,454)	(24,580)
	901,793	919,460

During the year lease liabilities and right-of-use assets were remeasured to recognise a change in future expected lease payments.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 23 Lease liabilities (continued)

d) Maturity analysis	2021	2020
	\$	\$
- Not later than 12 months	90,746	56,380
- Between 12 months and 5 years	474,324	293,551
- Greater than 5 years	478,181	757,422
Total undiscounted lease payments	<u>1,043,251</u>	<u>1,107,353</u>
Unexpired interest	(141,458)	(187,893)
Present value of lease liabilities	<u><u>901,793</u></u>	<u><u>919,460</u></u>

Note 24 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	<u>30,941</u>	<u>29,868</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at \$40,550 based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 October 2029 at which time it is expected the face-value costs to restore the premises will fall due.

Note 25 Employee benefits

a) Current liabilities	2021	2020
	\$	\$
Provision for annual leave	26,111	16,266
Provision for long service leave	16,194	7,375
	<u>42,305</u>	<u>23,641</u>
b) Non-current liabilities		
Provision for long service leave	<u>331</u>	<u>9,885</u>

c) Key judgement and assumptions

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 26 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	996,511	996,511	996,511	996,511
Less: equity raising costs	-	(35,026)	-	(35,026)
	<u>996,511</u>	<u>961,485</u>	<u>996,511</u>	<u>961,485</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 26 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

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.

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 Bank 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).

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*.

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 235 shareholders (2020: 240 shareholders).

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

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 26 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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 27 Accumulated losses

	2021	2020
	\$	\$
Balance at beginning of reporting period	(640,874)	(669,712)
Net profit after tax from ordinary activities	105,342	28,838
Balance at end of reporting period	<u>(535,532)</u>	<u>(640,874)</u>

Note 28 Reconciliation of cash flows from operating activities

	2021	2020
	\$	\$
Net profit after tax from ordinary activities	105,342	28,838
Adjustments for:		
- Depreciation	128,804	88,088
- Amortisation	13,068	12,903
- (Reversal of) impairment losses on intangible assets	-	7,152
- (Profit)/loss on disposal of non-current assets	-	1,256
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	50,243	(36,703)
- (Increase)/decrease in other assets	39,205	15,552
- Increase/(decrease) in trade and other payables	53,640	(1,032)
- Increase/(decrease) in employee benefits	9,110	3,733
- Increase/(decrease) in provisions	987	559
Net cash flows provided by operating activities	<u>400,399</u>	<u>120,346</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	14	329,424	82,903
Term deposits	14	29,031	29,031
Trade and other receivables	15	73,689	96,092
		<u>432,144</u>	<u>208,026</u>
Financial liabilities			
Trade and other payables	21	110,813	78,369
Bank overdrafts	22	-	105,383
Secured bank loans	22	249,850	250,000
Lease liabilities	23	901,793	919,460
		<u>1,262,456</u>	<u>1,353,212</u>

Note 30 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,240	600
- General advisory services	4,860	6,230
- Share registry services	1,900	1,900
Total auditor's remuneration	<u>13,000</u>	<u>13,530</u>

Note 31 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Raymond Li Jin Tai
Dr Philip George Ronaldson PhD
Vinh Van Lam
Ashley Leander Limbury
Raymond Chung Jil Seeto
Jason Conor Grindlay
Amanda Louise Collins
Matthew James Phelps
Luke James Goldworthy
Kim Hann
Ian Gregory Bulluss
Susan Ngan

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 31 Related parties (continued)

b) Key management personnel compensation

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.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 32 Dividends provided for or paid

a) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay an unfranked dividend of 5 cents per share. The financial impact of the dividend, amounting to \$49,826, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Unfranked dividend	5.00	49,826	-	-

Note 33 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021	2020
	\$	\$
Profit attributable to ordinary shareholders	105,342	28,838
	Number	Number
Weighted-average number of ordinary shares	996,511	996,511
	Cents	Cents
Basic and diluted earnings per share	10.57	2.89

Note 34 Commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 35 Contingencies

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

Note 36 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

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 2021 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.

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



Raymond Li Jin Tai, Chair

Dated this 21st day of September 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City West Community Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying 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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

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 (including Independence Standards)* (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.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report 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 responsibilities 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 21 September 2021



Joshua Griffin
Lead Auditor

CITY WEST COMMUNITY FINANCIAL SERVICES LIMITED

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City West Community Financial Services Limited ABN: 34 134 051 219 is a

Franchisee of **Bendigo Bank ABN: 11 068 049 178**



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www.cwdfs.com.au

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