



City West Community Financial Services Limited

**Annual Report
30 June 2020**

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Acknowledgement of Country

We acknowledge 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: New Darling Square Branch

Chairman's Report

Overview. 2019-2020 has been a challenging yet defining year for us. The branch has undergone a dramatic and significant change in location and personnel. We believe we have set the groundwork for success through these changes.

Our ambition. Along with these changes the Board and staff have reset our vision for the company. In collaboration with the Branch Management and staff, the Board has redefined our vision for CWCFS to be the number one Community Bank in the Bendigo Bank family. Along the way we are intent on demonstrating the following milestones:

- Most engaged Community Bank
- Fastest book growth year on year
- \$1m in community contribution by 2025 (cumulative)

Our new branch. The Darling Square Community Bank branch of Bendigo Bank delivers this vision in a bold and positive way. The branch opened its doors in Nov 2019 where the response from visitors are\ overwhelmingly positive. The ambience is a good complement to the warm and welcoming service that our Bendigo Bank bankers provide from the branch.

New strategic direction. From a strategic transformation point of view, we are confident that the decision to move was the right one. We have reduced operating costs where we are currently around the average of comparable community bank peers in metro areas.

These savings have allowed us to pursue growth initiatives, where at this stage of the transformation program, we are pleased to say that the performance indicators have been encouraging.

FY2020 Financial Results summary

Total Revenues for FY2020 was reported at \$827K, a 3.2% reduction on the prior year. This was reflective of a competitive environment in the first half and more so with Covid-19 in the 2nd half as competitors keep their eye firmly on book strength acquiring quality borrowers and depositors.

Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is an indicator we follow closely. It is an indication of our capability to invest in opportunities for growth, provide community contributions and deliver dividends to shareholders.

For an apples-to-apples comparison with FY2019, it would be appropriate to make adjustments for one-time costs associated with the relocation, change in accounting for leases and investments in growth initiatives. Adjusted on this basis, underlying EBITDA increased to \$292k in FY2020.

City West Community Financial Services Limited

Chairman's Report *(continued)*

Table 1: Profit before tax and EBITDA comparisons

COMPARING FY2020 VS FY2019	FY2020	FY2019
	\$'000	\$'001
EARNINGS BEFORE TAX	44	135
Add: Mandatory accounting change (AASB16) (note 23e)	55	0
EARNINGS BEFORE TAX (adjusted)	99	135
Add: Finance cost	25	7
Add: Depreciation and amortisation expense	101	70
EBITDA	225	212
Add: One-time relocation costs expensed, Growth investmetns	67	0
UNDERLYING EBITDA	292	212

Looking ahead

The Bendigo Bank brand is strong where it continues to be one of the most trusted brands in Australia with survey results placing it in the upper echelons for customer experience and customer satisfaction.

Bendigo Bank has a strategic imperative to grow its customer base and our decision to relocate to Darling Square is absolutely designed to aligned with this imperative as is our efforts to engage and grow via digital channels.

The board is mindful of shareholders' desire for dividends, and more so in the current climate of low interest rates and investment yields. With Covid-19 yet to play out, it is not appropriate to provide guidance on likely timing of dividends. Periodic review of our capacity to pay dividends will be made throughout FY2021.

Acknowledgements

Our Customers. Surveys consistently tell us that Bendigo Bank customers are the most satisfied banking customers in Australia. The Darling Square Community Bank staff does not take this for granted and our ambition is to be at the leading edge of customer satisfaction in Australia. More customers translate into more resources to support new initiatives and support growth in your local community. Thank you for your support.

Our Team. Our wonderful team continue to be our best ambassadors for the branch and who strive each day to serve and delight customers to the best of their abilities. We are so proud of the way the branch staff have come together to keep themselves safe, keep the branch open and continuing to meet our customer needs in this very dangerous and tense time for the community.

City West Community Financial Services Limited

Chairman's Report *(continued)*

To my fellow directors and board advisors who bring deep skills and significant experience to help the business steer its way through this period of enormous change. You provide a model for successful community engagement in business where our capabilities continue to grow with our business.

Lendlease-DSQ Community Bank Fund. We are especially pleased with the opportunity to collaborate with Lendlease to form this fund. Its objective 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 has in their DNA a commitment to connect and engage communities. This fund adds to our existing community support capabilities and initiatives such as Pyrmont Monopoly.

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

Kind Regards,

A handwritten signature in black ink, appearing to read 'R. Tai', is written over a light grey rectangular background.

Raymond Tai
Chairman

Branch Manager's Report

2019/20 has been an eventful year where we celebrated some major milestones:

- 10 years of banking services to the community
- Relocation to Darling Square

However, the spectre of Covid has been a major headwind to meet the banking needs of our customers. This has been successfully navigated, and we now open the Branch in a safe and socially distanced manner for our customers to conduct banking activities. The new Branch is a wonderful addition to the Darling Sq precinct and is rapidly being recognised for its warm, friendly, and service focused atmosphere.

As the incoming Branch Manager, it has been an honour for me to be part of the wonderful community of Darling Sq, Pyrmont, Ultimo and Haymarket. In my short time as the Branch Manager, I have been warmly welcomed by customers and community members alike and this grows my passion to meet their banking and community needs.

A big thank you to: -

- the Board of Directors and Advisors for their voluntary contribution to the company. Lots of work and effort has been contributed by all members during the year to relocate to Darling Square and building new relationships with Darling Square as well as maintain the existing relationships.
- Our existing staff for stepping up during the Covid crisis to meet our customers banking needs. And welcome to our new Mobile Relationship Manager Kelly, hard at work growing the business and providing all the best products and services to our customers.
- LendLease and Bendigo Bank for partnering with us to achieve a successful outcome for the year.
- Our stakeholders and customers for your support in building our success for the year and looking forward to the coming year to support more of our community and customers.

With the move to Darling Square, we lead the market moving into a new generation of banking, we provide free coffee, free Wi-Fi, and human connections which enhances the traditional way of banking. Most importantly the move to the new location enables us to retain existing customers, grow new customers, increase our business portfolio, and provide more contribution back into the community and stakeholders.

In the coming financial year and with the easing of Covid restrictions, we are expecting banking and community activities to restart and accelerate which will entrench our position as the leading Community Bank in the CBD and inner-City West.

We welcome all our stakeholders and customers to visit our new branch at Darling Square to experience the new generation of banking.

Yours sincerely,



Daniel Ye
Branch Manager

Dividend Payment history

Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2019/2020	0.00		
2018/2019	0.00		
2017/2018	0.00		
2016/2017	0.00		
2015/2016	0.00		
2014/2015	0.00		

Report of Sponsorships & Contributions

Financial Year	Community Contribution	Value
2019/2020	\$ 17,216	
2018/2019	\$ 27,100	
2017/2018	\$ 19,930	
2016/2017	\$ 20,000	
2015/2016	\$ 22,280	
Total last 5 years	\$106,526	

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than \$45 million was donated.

Just as the fires had been extinguished and the Bank's Community Enterprise Foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

City West Community Financial Services Limited

Bendigo and Adelaide Bank report (Continued)

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company directors and shareholders and your branch staff and customers for your continued support throughout the year.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year 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



Figure 2: Internal view of Darling Square Branch

Dr Philip George Ronaldson

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

Directors *(continued)*

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, PineTimberland 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.

Special responsibilities: Marketing Committee.

Interest in shares: 500 ordinary shares



Figure 3: View of Welcome Desk

Ashley Leander Limbury

Non-executive director

Occupation: Conflict Resolution & Meditation 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. Ashley has previously been a member of a local dragon boat team. He has held prior roles as chairman and member of a Pymont Strata Committee.

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: 1,501 ordinary shares.

City West Community Financial Services Limited

Directors *(continued)*

Susan Ngan

Non-executive director

Occupation: Casual Academic Sessional Staff and Business Consultant

Qualifications, experience and expertise: Susan has graduated with a Master in Accounting (UWA) 2012, and holds professional membership in the Directors Institute, Institute of Chartered Accountants of Australia New Zealand (PCA), CPA (ASA) and Finsia. Susan has held past Treasurer and Chair positions of the Audit and Finance Committee City west Financial services Ltd, also held past Non-executive director roles with Both City Council and Not for profit community organisations including Community Representative of the Town of Claremont's, Perth, Audit and Risk Committee 2011-2017. Past Treasurer and Board member of the Rotary Club of Crawley, Perth and an Assistant Treasurer and Board member of the Rotary Club of Sydney, Darling Harbour. Past Banking and Finance tutor for the University of Sydney Finance School. Susan is a Rotarian and currently member of the Rotary Club of Sydney, Darling Harbour. Special responsibilities: Finance and Audit Committee, Low Volume Market Committee.

Interest in shares: nil share interest held.



Figure 4: Entrance of Darling Square Branch

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.

Directors *(continued)*

Amanda Louise Collins

Non-executive director (Lendlease nominee) (appointed 28 November 2019)

Occupation: General Manager, 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



Figure 5: Tellers and AV screen

Luke James Goldsworthy

Non-executive director (appointed 19 October 2019)

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

Directors *(continued)*

Mathew James Phelps

Non-executive director (Bendigo Bank nominee) (appointed 19 October 2019)

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



Figure 6: Welcome Desk

Ian Gregory Bulluss

Non-executive director (appointed 18 October 2019)

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). Currently hold other directorship at The Centre for Volunteering (NSW).

Special responsibilities: Audit and Governance Committee

Interest in shares: 10,501 ordinary shares

City West Community Financial Services Limited

Jason Conor Grindlay

Non-executive director (Bendigo Bank nominee) (appointed 19 May 2020)

Occupation: Investment Manager

Qualifications, experience and expertise: Masters Degree Civil Engineering (Hons) with European Studies, University of Bristol, U.K.

Currently holds other directorship at Kaizen Global Investments Ltd.

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 2020	Year ended 30 June 2019
	\$28,838	\$98,062



Figure 7: Panorama of Branch

City West Community Financial Services Limited

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	15000	-	15000
Dr Philip George Ronaldson	-	1,000	1,000
Vinh Van Lam	500	-	500
Ashley Leander Limbury	1,501	-	1,501
Susan Ngan	-	-	-
Raymond Chung Jil Seeto	-	-	-
Jason Conor Grindlay	-	-	-
Amanda Louise Collins	-	-	-
Matthew James Phelps	-	-	-
Luke James Goldsworthy	-	-	-
Ian Gregory Bulluss	10,501		10,501

Dividends

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

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, 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

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

City West Community Financial Services Limited

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.

Events since the end of the financial year

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



Figure 8: Internal view of Branch

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Raymond Li Jin Tai	11	11
Dr Philip George Ronaldson	11	9
Vinh Van Lam	11	8
Ashley Leander Limbury	11	10
Susan Ngan	11	9
Raymond Chung Jil Seeto	11	11
Jason Conor Grindlay	2	2
Amanda Louise Collins	7	5
Matthew James Phelps	7	4
Luke James Goldsworthy	7	5
Ian Gregory Bulluss	7	6

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.

City West Community Financial Services Limited

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.

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 7.

Signed in accordance with a resolution of the directors at Darling Square, New South Wales.



Raymond Li Jin Tai, Chair

Dated this 20th day of October 2020



(DISREGARD THIS PAGE)

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 7.

Signed in accordance with a resolution of the directors at Darling Square, New South Wales.



Raymond Li Jin Tai, Chair

Dated this 20th day of October 2020

City West

Community Financial Services Limited

ABN: 34 134 051 219

Financial Report

For the year ended

30 June 2020

City West Community Financial Services Limited

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year 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

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, PineTimberland 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,

Special responsibilities: Marketing Committee

Interest in shares: 500 ordinary shares

City West Community Financial Services Limited

Directors' Report

Directors (*continued*)

Ashley Leander Limbury

Non-executive director

Occupation: Conflict Resolution & Meditation 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. Ashley has previously been a member of a local dragon boat team. He has held prior roles as chairman and member of a Pymont Strata Committee. 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: 1,501 ordinary shares

Susan Ngan

Non-executive director

Occupation: Casual Academic Sessional Staff and Business Consultant

Qualifications, experience and expertise: Susan has graduated with a Master in Accounting (UWA) 2012, and holds professional membership in the Directors Institute, Institute of Chartered Accountants of Australia New Zealand (PCA), CPA (ASA) and Finsia. Susan has held past Treasurer and Chair positions of the Audit and Finance Committee City west Financial services Ltd, also held past Non-executive director roles with Both City Council and Not for profit community organisations including Community Representative of the Town of Claremont's, Perth, Audit and Risk Committee 2011-2017. Past Treasurer and Board member of the Rotary Club of Crawley, Perth and an Assistant Treasurer and Board member of the Rotary Club of Sydney, Darling Harbour. Past Banking and Finance tutor for the The University of Sydney Finance School. Susan is a Rotarian and currently member of the Rotary Club of Sydney, Darling Harbour.

Special responsibilities: Finance and Audit Committee, Low Volume Market Committee

Interest in shares: nil share interest held

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 (Lendlease nominee) (appointed 28 November 2019)

Occupation: General Manager, 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

City West Community Financial Services Limited

Directors' Report

Directors (continued)

Matthew James Phelps

Non-executive director (Bendigo Bank nominee) (appointed 19 October 2019)

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

Luke James Goldworthy

Non-executive director (appointed 19 October 2019)

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

Ian Gregory Bulluss

Non-executive director (appointed 18 October 2019)

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 Pymont 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). Currently hold other directorship at The Centre for Volunteering (NSW).

Special responsibilities: Audit and Governance Committee

Interest in shares: 10,501 ordinary shares

Jason Conor Grindlay

Non-executive director (Bendigo Bank nominee) (appointed 19 May 2020)

Occupation: Investment Manager

Qualifications, experience and expertise: Masters Degree Civil Engineering (Hons) with European Studies, University of Bristol, U.K. Currently holds other directorship at Kaizen Global Investments Ltd.

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.

City West Community Financial Services Limited

Directors' Report

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 2020	Year ended 30 June 2019
\$	\$
28,838	98,062

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	-	1,000	1,000
Vinh Van Lam	500	-	500
Ashley Leander Limbury	1,501	-	1,501
Susan Ngan	-	-	-
Raymond Chung Jil Seeto	-	-	-
Jason Conor Grindlay	-	-	-
Amanda Louise Collins	-	-	-
Matthew James Phelps	-	-	-
Luke James Goldworthy	-	-	-
Ian Gregory Bulluss	10,501	-	10,501

Dividends

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

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, 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.

City West Community Financial Services Limited

Directors' Report

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Raymond Li Jin Tai	11	11
Dr Philip George Ronaldson	11	9
Vinh Van Lam	11	8
Ashley Leander Limbury	11	10
Susan Ngan	11	9
Raymond Chung Jil Seeto	11	11
Jason Conor Grindlay	2	2
Amanda Louise Collins	7	5
Matthew James Phelps	7	4
Luke James Goldworthy	7	5
Ian Gregory Bulluss	7	6

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*.

City West Community Financial Services Limited

Directors' Report

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.

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 7.

Signed in accordance with a resolution of the directors at Darling Square, New South Wales.



Raymond Li Jin Tai, Chair

Dated this 20th day of October 2020

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

As lead auditor for the audit of City West Community Financial Services Limited for the year ended 30 June 2020, 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: 20 October 2020



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 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	732,357	762,656
Other revenue	9	94,717	91,545
Gross trading profit/(loss)	10	(5,348)	9,608
Finance income	11	125	224
Employee benefit expenses	12d)	(356,122)	(361,795)
Charitable donations, sponsorship, advertising and promotion		(22,224)	(27,103)
Occupancy and associated costs		(140,323)	(160,860)
Systems costs		(40,629)	(32,230)
Depreciation and amortisation expense	12a)	(100,991)	(70,139)
Impairment losses	12b)	(7,152)	-
Finance costs	12c)	(24,473)	(6,526)
General administration expenses		(85,547)	(69,997)
Profit before income tax expense		44,390	135,383
Income tax expense	13a)	(15,552)	(37,321)
Profit after income tax expense		28,838	98,062
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		28,838	98,062
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	2.89	9.84

The accompanying notes form part of these financial statements

City West Community Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	14a)	111,934	49,885
Trade and other receivables	15a)	103,108	49,566
Inventory	16	34,264	51,102
Total current assets		249,306	150,553
Non-current assets			
Property, plant and equipment	17a)	457,919	28,806
Right-of-use assets	18a)	739,341	-
Intangible assets	19a)	58,108	12,823
Deferred tax asset	20a)	232,543	248,095
Total non-current assets		1,487,911	289,724
Total assets		1,737,217	440,277
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	27,600	25,594
Loans and borrowings	22a)	105,383	93,117
Lease liabilities	23b)	26,369	-
Employee benefits	25a)	23,641	22,079
Total current liabilities		182,993	140,790
Non-current liabilities			
Trade and other payables	21b)	50,769	-
Loans and borrowings	22b)	250,000	-
Lease liabilities	23c)	893,091	-
Employee benefits	25b)	9,885	7,714
Provisions	24a)	29,868	-
Total non-current liabilities		1,233,613	7,714
Total liabilities		1,416,606	148,504
Net assets		320,611	291,773
EQUITY			
Issued capital	26a)	961,485	961,485
Accumulated losses	27	(640,874)	(669,712)
Total equity		320,611	291,773

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 2020

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	961,485	(767,774)	193,711
Total comprehensive income for the year	-	98,062	98,062
Balance at 30 June 2019	961,485	(669,712)	291,773
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

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 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		902,480	939,007
Payments to suppliers and employees		(736,382)	(730,027)
Interest received		119	224
Interest paid		(8,819)	(6,526)
Lease payments (interest component)	12c)	(15,095)	-
Lease payments not included in the measurement of lease liabilities	12e)	(21,957)	-
Net cash provided by operating activities	28	120,346	202,678
Cash flows from investing activities			
Payments for property, plant and equipment		(479,544)	-
Payments for intangible assets		(11,534)	(14,051)
Payments for inventory		-	(51,102)
Net cash used in investing activities		(491,078)	(65,153)
Cash flows from financing activities			
Proceeds from loans and borrowings		250,000	-
Lease payments (principal component)	23a)	(9,485)	-
Proceeds from lease arrangements	23a)	180,000	-
Net cash provided by financing activities		420,515	-
Net cash increase in cash held		49,783	137,525
Cash and cash equivalents at the beginning of the financial year		(43,232)	(180,757)
Cash and cash equivalents at the end of the financial year	14b)	6,551	(43,232)

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 2020

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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

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 2020 were authorised for issue in accordance with a resolution of the directors on 20 October 2020.

Note 3 Changes in accounting policies, standards and interpretations

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23. The company initially applied AASB 16: Leases (AASB 16) from 1 July 2019.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

The impact of the adoption of this Standard is disclosed in Note 23 Lease liabilities.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3 Changes in accounting policies, standards and interpretations (continued)

b) As a lessee

As a lessee, the company leases assets including property and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Leases classified as operating leases under AASB 117

Previously, the company classified property and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The company is not a party in an arrangement where it is a lessor.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

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.

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).

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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.

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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.

Revenue

Revenue recognition policy

Sale of property, plant and equipment

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

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).

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)

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.

Cash flow boost

During the financial year, 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 businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is 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 when the cash flow of the company improves.

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

c) Economic dependency - Bendigo Bank (*continued*)

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.

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 (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised 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.

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.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

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 estimate 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.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes (*continued*)

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.

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.

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.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

g) Property, plant and equipment (*continued*)

Subsequent expenditure

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

Depreciation

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.

h) Intangible assets

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

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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	Finite

Amortisation 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 2020

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

i) Financial instruments

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

Sub-note i) and j) refer to the following acronyms:

<u>Acronym</u>	<u>Meaning</u>
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Classification and subsequent measurement (continued)

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of customer base, appropriate groupings of its historical loss experience etc.).

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

j) Impairment (*continued*)

Non-derivative financial assets (continued)

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The directors have assessed the ECL and noted it is not material.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

k) Issued capital

Ordinary shares

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.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, 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. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases (*continued*)

Policy applicable from 1 July 2019 (continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of 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, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 interest rate implicit in the lease or, if that rate cannot be readily determined, 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 the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonably certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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.

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases (*continued*)

Policy applicable from 1 July 2019 (continued)

As a lessor

The company is not a party in an arrangement where it is a lessor.

The company applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(l)). The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- 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: <ul style="list-style-type: none">- the amount;- the lease term;- economic environment; and- other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 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 12b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- 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 through 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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 with available facility of \$164,117. Interest is payable at a rate of 0.00% (2019: 3.771%)
- \$250,000 commercial loan facility secured by the company's assets. Interest is payable at a rate of 5.8% (2019: n/a)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</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 payables	9,264	9,264	-	-
	<u>1,284,107</u>	<u>171,027</u>	<u>543,551</u>	<u>757,422</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	93,117	93,117	-	-
	<u>93,117</u>	<u>93,117</u>	<u>-</u>	<u>-</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

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 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 risk.

The company held cash and cash equivalents of \$111,934 at 30 June 2020 (2019: \$49,885). 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 2020

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 2020 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

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

<i>Revenue from contracts with customers</i>	2020 \$	2019 \$
Revenue:		
- Revenue from contracts with customers	732,357	762,656
	<u>732,357</u>	<u>762,656</u>
 <i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	615,262	636,216
- Fee income	48,862	61,334
- Commission income	68,233	65,106
	<u>732,357</u>	<u>762,656</u>

There was no revenue from contracts with customers recognised over time during the financial year.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	24,761	25,000
- Cash flow boost	43,855	-
- Monopoly sponsorship revenue	-	66,545
- Other	26,101	-
	<u>94,717</u>	<u>91,545</u>

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.

	2020	2019
	\$	\$
<i>Sales</i>		
- Sales - monopoly	11,490	42,654
<i>Less: Cost of sales</i>		
- Opening stock on hand	<u>51,102</u>	-
- Plus:		
Purchases	-	84,148
- Less:		
Closing stock on hand	<u>34,264</u>	51,102
Gross profit/(loss)	<u>(5,348)</u>	<u>9,608</u>

Note 11 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	125	224
	<u>125</u>	<u>224</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 12 Expenses

a) Depreciation and amortisation expense	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	44,613	55,805
- Plant and equipment	4,562	723
	<u>49,175</u>	<u>56,528</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	38,913	-
	<u>38,913</u>	<u>-</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,150	2,269
- Franchise renewal process fee	10,753	11,342
	<u>12,903</u>	<u>13,611</u>
Total depreciation and amortisation expense	<u>100,991</u>	<u>70,139</u>

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

b) Impairment losses	2020	2019
	\$	\$
<i>Impairment of intangible assets:</i>		
- Domiciled customer accounts	7,152	-
	<u>7,152</u>	<u>-</u>

See note 19c) for information on impairment loss.

c) Finance costs	Note	2020	2019
		\$	\$
<i>Finance costs:</i>			
- Bank overdraft interest paid or accrued		8,819	6,526
- Lease interest expense	23a)	15,095	-
- Unwinding of make-good provision		559	-
		<u>24,473</u>	<u>6,526</u>

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

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 12 Expenses (continued)

d) Employee benefit expenses	2020	2019
	\$	\$
Wages and salaries	222,709	281,035
Contributions to defined contribution plans	29,971	26,612
Expenses related to long service leave	(6,124)	5,859
Staff Recruitment Expense	18,642	-
Other expenses	90,924	48,289
	<u>356,122</u>	<u>361,795</u>

e) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020	2019
	\$	\$
Expenses relating to low-value leases	21,957	-
Expenses relating to short-term leases	66,485	-
	<u>88,442</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

The company relocated branches during November 2019. The company's lease for the pre existing branch lease expired on November 2019. The company has elected to exempt from recognition leases with a lease term expiring within 12 months of initial application upon transition.

Note 13 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss	2020	2019
	\$	\$
<i>Current tax expense/(credit)</i>		
- Future income tax benefit attributable to losses	(62,434)	-
- Movement in deferred tax	64,570	(15,685)
- Reduction in company tax rate	13,416	-
- Recognition of previously unrecognised tax losses	-	53,006
	<u>15,552</u>	<u>37,321</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$13,416 related to the remeasurement of deferred tax assets and liabilities of the company.

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 13 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2020 \$	2019 \$
Operating profit before taxation	44,390	135,383
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	12,207	37,230
Tax effect of:		
- Non-deductible expenses	1,989	91
- Temporary differences	(64,570)	15,685
- Other assessable income	(12,060)	-
- Movement in deferred tax	64,570	(15,685)
- Reduction in company tax rate	13,416	-
	15,552	37,321

Note 14 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 \$	2019 \$
- Cash at bank and on hand	82,903	49,885
- Term deposits	29,031	-
	111,934	49,885

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 above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2020 \$	2019 \$
- Cash at bank and on hand	82,903	49,885
- Term deposits	29,031	-
- Bank overdraft	(105,383)	(93,117)
	6,551	(43,232)

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 15 Trade and other receivables

	2020	2019
	\$	\$
a) Current assets		
Trade receivables	53,263	44,677
Prepayments	7,016	4,889
Other receivables and accruals	42,829	-
	<u>103,108</u>	<u>49,566</u>

Note 16 Inventory

	2020	2019
	\$	\$
<i>Inventory</i>		
- At cost	34,264	51,102
	<u>34,264</u>	<u>51,102</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.

Note 17 Property, plant and equipment

	2020	2019
	\$	\$
a) Carrying amounts		
<i>Leasehold improvements</i>		
At cost	420,368	214,375
Less: accumulated depreciation	(23,581)	(193,343)
	<u>396,787</u>	<u>21,032</u>
<i>Plant and equipment</i>		
At cost	68,611	38,409
Less: accumulated depreciation	(7,479)	(30,635)
	<u>61,132</u>	<u>7,774</u>
Total written down amount	<u>457,919</u>	<u>28,806</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 17 Property, plant and equipment (continued)

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

b) Reconciliation of carrying amounts	2020	2019
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	21,032	76,837
Additions	420,368	-
Depreciation	(44,613)	(55,805)
Carrying amount at end	<u>396,787</u>	<u>21,032</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	7,774	8,497
Additions	59,176	-
Disposals	(1,256)	-
Depreciation	(4,562)	(723)
Carrying amount at end	<u>61,132</u>	<u>7,774</u>
Total written down amount	<u>457,919</u>	<u>28,806</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.

Note 18 Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

a) Carrying amounts	2020	2019
	\$	\$
<i>Leased land and buildings</i>		
At cost	778,254	-
Less: accumulated depreciation	(38,913)	-
Total written down amount	<u>739,341</u>	<u>-</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Additional right-of-use assets recognised	778,254	-
Depreciation	(38,913)	-
Total written down amount	<u>739,341</u>	<u>-</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 19 Intangible assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Franchise fee</i>		
At cost	32,233	21,343
Less: accumulated amortisation	(22,548)	(20,398)
	<u>9,685</u>	<u>945</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	56,713
Less: accumulated amortisation	(62,740)	(51,987)
	<u>48,423</u>	<u>4,726</u>
<i>Cash-generating unit - domiciled accounts</i>		
At cost	7,152	7,152
Less: accumulated impairment	(7,152)	-
	<u>-</u>	<u>7,152</u>
Total written down amount	<u>58,108</u>	<u>12,823</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	945	3,214
Additions	10,890	-
Amortisation	(2,150)	(2,269)
Carrying amount at end	<u>9,685</u>	<u>945</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	4,726	16,068
Additions	54,450	-
Amortisation	(10,753)	(11,342)
Carrying amount at end	<u>48,423</u>	<u>4,726</u>
<i>Cash-generating unit - domiciled accounts</i>		
Carrying amount at beginning	7,152	7,152
Impairment	(7,152)	-
Carrying amount at end	<u>-</u>	<u>7,152</u>
Total written down amount	<u>58,108</u>	<u>12,823</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19 Intangible assets *(continued)*

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

The company has 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 financial year.

Note 20 Tax assets and liabilities

a) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	30 June 2020
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	798	(18)	780
- employee provisions	8,193	524	8,717
- make-good provision	-	7,766	7,766
- lease liability	-	239,060	239,060
- property, plant and equipment	24,077	(24,077)	-
- carried-forward tax losses	215,027	47,299	262,326
Total deferred tax assets	<u>248,095</u>	<u>270,554</u>	<u>518,649</u>
<i>Deferred tax liabilities</i>			
- income accruals	-	2	2
- property, plant and equipment	-	56,435	56,435
- right-of-use assets	-	192,229	192,229
- lease incentive	-	37,440	37,440
Total deferred tax liabilities	<u>-</u>	<u>286,106</u>	<u>286,106</u>
Net deferred tax assets (liabilities)	<u>248,095</u>	<u>(15,552)</u>	<u>232,543</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 20 Tax assets and liabilities (continued)

a) Deferred tax (continued)

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	30 June 2019
<i>Deferred tax assets</i>	\$	\$	\$
- expense accruals	770	28	798
- employee provisions	6,917	1,276	8,193
- property, plant and equipment	9,696	14,381	24,077
- carried-forward tax losses	268,033	(53,006)	215,027
Total deferred tax assets	<u>285,416</u>	<u>(37,321)</u>	<u>248,095</u>
Net deferred tax assets (liabilities)	<u>285,416</u>	<u>(37,321)</u>	<u>248,095</u>

b) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

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

	2020	2019
	\$	\$
Trade creditors	9,264	-
Other creditors and accruals	18,336	25,594
	<u>27,600</u>	<u>25,594</u>

b) Non-current liabilities

Other creditors and accruals	50,769	-
	<u>50,769</u>	<u>-</u>

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 22 Loans and borrowings

a) Current liabilities	2020	2019
	\$	\$
Bank overdraft	105,383	93,117
	<u>105,383</u>	<u>93,117</u>

Bank overdraft

The company has an approved overdraft limit of \$275,000 which was drawn down to \$105,383. The company has \$169,617 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 0.00% whilst the company is in an interest free period (2019: 3.771%).

b) Non-current liabilities	2020	2019
	\$	\$
Secured bank loans	250,000	-
	<u>250,000</u>	<u>-</u>

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	0.0%	Floating	105,383	105,383	93,117	93,117
Secured bank loans	5.8%	Floating	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 discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

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.

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23 Lease liabilities (continued)

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company's lease portfolio includes:

- Darling Square Branch The lease agreement is a non-cancellable lease with an initial term of five years which commenced in October 2019. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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.

a) Lease liability measurement

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.

	2020 \$	2019 \$
<i>Lease liabilities on transition</i>		
Additional lease liabilities recognised	928,945	-
Lease payments - interest	15,095	-
Lease payments	(24,580)	-
	919,460	-
	919,460	-
b) Current lease liabilities		
Property lease liabilities	56,380	-
Unexpired interest	(30,011)	-
	26,369	-
	26,369	-
c) Non-current lease liabilities		
Property lease liabilities	1,050,973	-
Unexpired interest	(157,882)	-
	893,091	-
	893,091	-
d) Maturity analysis		
- Not later than 12 months	56,380	-
- Between 12 months and 5 years	293,551	-
- Greater than 5 years	757,422	-
Total undiscounted lease payments	1,107,353	-
Unexpired interest	(187,893)	-
Present value of lease liabilities	919,460	-

City West Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 23 Lease liabilities (continued)

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$21,741.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	24,580	(24,580)	-
- Depreciation and amortisation expense	-	38,913	38,913
- Finance costs	-	15,654	15,654
Increase in expenses - before tax	24,580	29,987	54,567
- Income tax expense / (credit) - current	(6,760)	6,760	-
- Income tax expense / (credit) - deferred	-	(15,006)	(15,006)
Increase in expenses - after tax	17,820	21,741	39,561

Note 24 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	29,868	-
	29,868	-

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

	2020 \$	2019 \$
<i>Provision</i>		
Face-value of make-good costs recognised	40,550	-
Present value discounting	(11,241)	-
Present value unwinding	559	-
	29,868	-

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Provisions (continued)

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

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

Note 25 Employee benefits

a) Current liabilities

	2020 \$	2019 \$
Provision for annual leave	16,266	13,972
Provision for long service leave	7,375	8,107
	<u>23,641</u>	<u>22,079</u>

b) Non-current liabilities

Provision for long service leave	9,885	7,714
	<u>9,885</u>	<u>7,714</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

	2020		2019	
	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 2020

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 240 shareholders (2019: 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 2020

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

	2020 \$	2019 \$
Balance at beginning of reporting period	(669,712)	(767,774)
Net profit after tax from ordinary activities	28,838	98,062
Balance at end of reporting period	<u>(640,874)</u>	<u>(669,712)</u>

Note 28 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	28,838	98,062
Adjustments for:		
- Depreciation	88,088	56,528
- Amortisation	12,903	13,611
- (Reversal of) impairment losses on property, plant and equipment	7,152	-
- (Profit)/loss on disposal of non-current assets	1,256	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(36,703)	(58,621)
- (Increase)/decrease in other assets	15,552	37,321
- Increase/(decrease) in trade and other payables	(1,032)	51,138
- Increase/(decrease) in employee benefits	3,733	4,639
- Increase/(decrease) in provisions	559	-
Net cash flows provided by operating activities	<u>120,346</u>	<u>202,678</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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	2020 \$	2019 \$
Financial assets			
Trade and other receivables	15	96,092	44,677
Cash and cash equivalents	14	82,903	49,885
Term deposits	14	29,031	-
		<u>208,026</u>	<u>94,562</u>
Financial liabilities			
Trade and other payables	21	9,264	-
Bank overdrafts	22	105,383	93,117
Secured bank loans	22	250,000	-
Lease liabilities	23	919,460	-
		<u>1,284,107</u>	<u>93,117</u>

Note 30 Auditor's remuneration

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

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	1,600
- General advisory services	6,230	2,880
- Share registry services	1,900	1,885
	<u>8,730</u>	<u>6,365</u>
Total auditor's remuneration	<u>13,530</u>	<u>10,965</u>

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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
 Vinh Van Lam
 Ashley Leander Limbury
 Susan Ngan
 Raymond Chung Jil Seeto
 Jason Conor Grindlay
 Amanda Louise Collins
 Matthew James Phelps
 Luke James Goldworthy
 Ian Gregory Bulluss

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 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.

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	28,838	98,062
	Number	Number
Weighted-average number of ordinary shares	996,511	996,511
	Cents	Cents
Basic and diluted earnings per share	2.89	9.84

City West Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 33 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 23).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	-	75,753
Minimum lease payments payable	-	75,753

b) Other commitments

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

Note 34 Contingencies

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

Note 35 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 2020 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 20th day of October 2020

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

Report on the audit of the financial report

Our opinion

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 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

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

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

Basis for opinion

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (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.

Directors' responsibility 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 responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 20 October 2020



Joshua Griffin
Lead Auditor