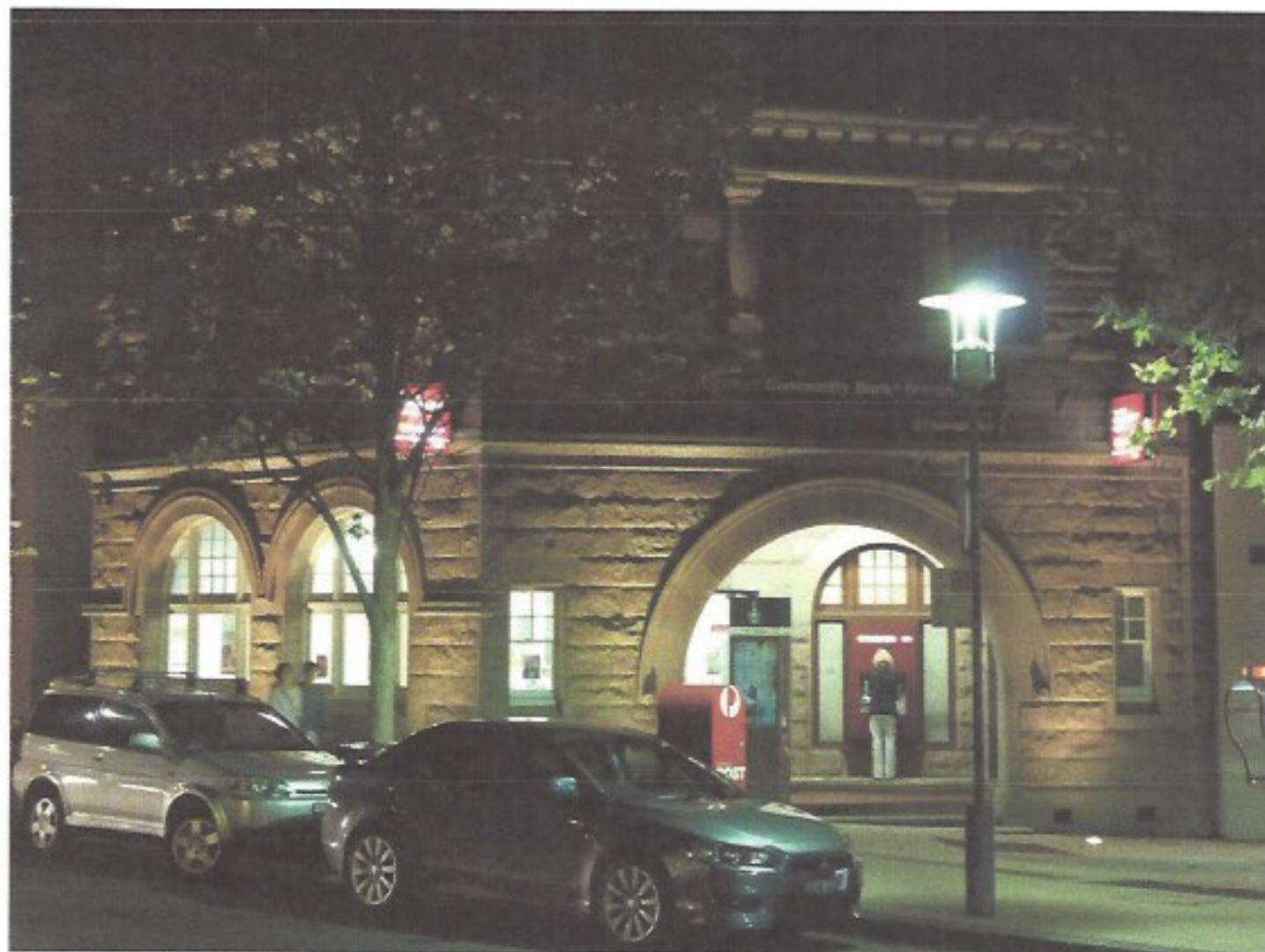


# City West Community Financial Services Limited

ABN 34 134 051 219



## 2016 Annual Report

Pyrmont Community Bank® Branch

**Franchisee:**

City West Community Financial Services Limited  
148 Harris Street, Pyrmont NSW 2009  
Phone: (02) 9518 9866 Fax (02) 9518 9844  
[www.cwcfcs.com.au](http://www.cwcfcs.com.au)  
ABN: 34 134 051 219



**Bendigo Bank**

Bigger than a bank

[bendigobank.com.au](http://bendigobank.com.au)

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## Chairman's Report

I am happy to report the company has achieved its second full year of profitability. Profit for the year was \$28,428 and our "Book" value (sum of loans and deposits) closed up 16% at \$116 million. Our Branch Manager, Garry Noel, and his award-winning staff have worked incredibly hard to achieve that growth in an economic environment of continuing uncertainties and declining interest rates.

The company's continued growth has enabled it to maintain its commitment and support of many and varied Community projects. Notably: the I LOVE AUSTRALIA events at Harris Community Centre and Sydney Customs House; a competition to identify innovative new start-up businesses; Sydney CBD Football team Sydney Flames WNBL Basketball team; Pyrmont Community Dinners; Christmas in Pyrmont; Ultimo Public Schools and Carols in Union Square.

### Your Board.

The rotation of Directors and the welcoming of new ideas and personalities to the company have been paramount to the growth of the company during what have been some difficult times.

Throughout the year we have had resignations among our Board Members and Advisors. Ian Bulluss, our extremely hardworking and phenomenally competent Secretary, has had to retire for health reasons. Vicki Reed also has had to step down from her Advisor role due to work commitments. Her guidance and enthusiasm will be sorely missed.

However, the Board has welcomed four new Advisors: Carolyn Limmer, (Company Secretary); Dr Phillip Ronaldson (Finance & Audit); Mike Butler (Marketing); and Norman To (Marketing).

It is anticipated that these Advisors will fill the casual vacancy left by Ian Bulluss as well as vacancies arising from Margaret Broadbent and Charles Perry who anticipate stepping down in the coming year. Appreciation is extended to these three founding members of our company for their diligence, professionalism and the considerable amount of their time expended to get Pyrmont **Community Bank®** Branch to where it is today.

Margaret has been the Editor-in-Chief of our quarterly newsletter, a valued member of the Marketing Committee and a very active participant in all our community events. Charles Perry has filled many Board positions including Deputy Chairman, Company Secretary, Assistant Treasurer and a Marketing Committee Member.

The corporate knowledge that Margaret, Ian and Charles possess will not be lost. Each has indicated their availability as Advisors to assist and mentor new Board members.

This is an ideal time to again remind shareholders that all Board positions are Honorary and therefore unpaid. The Directors and Advisors spend large amounts of time working to improve the performance of the Pyrmont **Community Bank®** Branch.

### Into The Future.

In the next couple of years there will be opportunities to grow our business however we will no doubt face challenges to our continued growth. Bendigo and Adelaide Bank Limited have introduced, with effect July 2016, a new system of calculating **Community Bank®** profit share.

Whereas this model maintains the essence of the 50:50 profit share arrangement of the **Community Bank®** Franchise Arrangement, the calculations used for determining profits



has been revised. It is anticipated that the new system will affect the company profit growth. At this early stage the Board can't predict the degree of affect this new model will have on revenue in the coming year.

We are continuing to liaise with a large local employer and working closely with another to explore growth into nearby precincts. We hope to be able to report on these initiatives as they come to fruition.

During the past year we have come to realize that the predominant demographic in our community is 25-35 year olds. With this in mind our Marketing Committee has been working hard to establish an up-to-date social media presence in the local area in an effort to get the **Community Bank®** message to this section of our community.

It has been an honour and a privilege to serve as your Chairman over the past year. I must thank all Board Members and our staff members for their outstanding support throughout.

A handwritten signature in dark ink, appearing to read 'JCM', with a long horizontal flourish extending to the right.

**John Marsden**  
Chairman

## Branch Manager's Report

Welcome again to my Annual Report for the Pymont **Community Bank®** Branch.

**Bendigo Bank - Bigger than a bank.**

For over 150 years Bendigo Bank have been providing financial services all over Australia. Did you know that **Community Bank®** branches are locally owned and operated? This means that decisions on where to invest **Community Bank®** branch profits are made by the locals resulting in over \$148 million being returned to community groups and projects Australia-wide.

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

We are starting to see the benefits of your continued support and are proud to have been able to continue the support of many local community groups. Grants and sponsorships have been made available to many local organisations including: Carols in Union Square, Christmas in Pymont, International Grammar School's Indigenous Art Show, various events at the Ultimo Public School, City of Sydney's I Love Australia celebration, The Harris Centre's Chinese New Year celebration, Sydney CBD FC, Sydney University NEAFL team, Sydney University Flames Women's basketball team, Pymont Food Wine & Art Festival and the Pymont Community Dinners held at the Community Centre as well as participating in national events with the RSPCA, Parkinson's Unity Walk and the Fred Hollows Foundation 55km Coastrek and various Cancer Council events held throughout the year.

At last year's Annual General Meeting we were talking about our success at reaching \$100 million on the books. This year we have increased that again with us finishing with over \$116 million of which \$61 million is in lending.

This outstanding achievement is the result of having a stable and committed team here at Pymont **Community Bank®** Branch which includes our Customer Service Supervisor Mike Velicanski and our two Customer Service Officers Reyhan Ulutas and Paul Motuliki. We also have an outstanding relationship with our Regional Manager Amy Land and support from everyone at our Pitt Street head office.

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

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

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



**Garry Noel**  
**Branch Manager**

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

**Directors**

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

**John Charles Marsden**

Director & Chairman

Occupation: Retired Army Officer and Commercial International Airline Pilot

Qualifications, experience and expertise: John is a retired Army Officer and Commercial International Airline Pilot. A member of the RSL, John is actively involved in the Pymont Ultimo community. Apart from his duties as Chairman, John has been leading the City West Community Financial Services Marketing committee since 2010.

Special responsibilities: Board Chairman; Marketing Committee Chairman

Interests in shares: 5,001

**Patricia Teresa Strong**

Treasurer

Occupation: University Lecturer

Qualifications, experience and expertise: Patricia (Trish) has a PhD in accounting studying the emergence of Integrated Reporting a new corporate reporting phenomena and is an accounting academic at the University of New South Wales. Trish lectures in E-Business Strategies and Processes and Qualitative Research Methods at undergraduate and post-graduate levels. Trish has previously taught accounting in the UK, Hong Kong and other Australian universities and has been the recipient of the CPA teaching excellence award in 2013. Trish is a Certified Practising Accountant (CPA) and a member of the Australian Institute of Company Directors (AICD). Prior to entering academia Trish worked for over 20 years in industry holding roles including management accountant; branch accountant; cost analyst; change agent specializing in IS implementations. This industry experience was based around Trish's accounting, organizing and systems analysis skills utilized to implement process re-engineering and organizational change programs in a number international companies working in UK, Europe, Asia and Australia. Trish's qualifications include a Doctorate degree (PhD) from the University of New South Wales, a Masters of Business Administration degrees (MBA) from Curtin University (WA) and Bachelor of Social Science with honours (BSSc.) from Queen's University, Belfast. Trish is one of the first PhDs awarded in the emerging field of "Integrated Reporting" and she has been invited to present her research at local and international conferences and to write papers for academic journals and practitioner publications such as the Governance Institute of Australia. Trish has been an active member of local community groups throughout her career, in particular, in the Pymont area Jacksons Landing Community Association and St Bede's Church and is currently the chair of the Great Irish Famine Commemoration Committee (GIFCC).

Special responsibilities: Treasurer

Interests in shares: 5,001

**Margaret Broadbent**

Director

Occupation: Retired Registered Nurse

Qualifications, experience and expertise: Margaret is a retired Registered Nurse with extensive experience in Orthopaedic Nursing, Aged Care and Community health. Margaret has served on the executive committees of a number of professional associations including the NSW Wound Care association, a number of hospital committees as well as being involved in many Community groups.

Margaret is an active member of the Community Garden. Margaret holds qualifications in General Midwifery & Orthopaedic Nursing.

Special responsibilities: Marketing Committee - Publicity

Interests in shares: 6,001

**Charles Perry**

Director

Occupation: Retired Business Management Consultant

Qualifications, experience and expertise: Charles is actively involved in many Community Groups including being a founding member of Friends of Pymont Point and Pymont Cares Inc. and his Strata committee. Charles' qualifications include Bachelor of Arts and Master of Business Administration. Charles has extensive experience in business improvement practices including Business Process Re-engineering, Business Planning and Training and Development.

Special responsibilities: Deputy Chairman

Interest in shares: 12,501

**John Leslie Hoff**

Director

Occupation: Fruit Grower

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

Special responsibilities: HR Committee, Property Committee

Interests in shares: 50,501



City West Community Financial Services Limited  
ABN 34 134 051 219  
Directors' Report

Directors (continued)

Ashley Leander Limbury

Director

Occupation: Conflict Resolution & Mediation 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 is a member of the Community Water Sports Centre and previously been a member of a local dragon boat team. He has held prior roles as chairman and member of a local Strata Committee. His qualifications include: M.B.A., 2002 (University of Technology Sydney). B.Ec. (Soc.Sci) (Hons.), double major in Economics and Psychology, 1994 (Sydney University).

Special responsibilities: Marketing

Interest in shares: 1,501

John Lawrence O'Meally

Director

Occupation: Retired Judge, District Court of NSW

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

Special responsibilities: Nil

Interest in shares: Nil

Raymond Li Jin Tai

Director

Occupation: Investment Manager

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

Special responsibilities: Marketing Committee

Interest in shares: 15,000

Sylvia Liu

Director

Occupation: Company Director

Qualifications, experience and expertise: Sylvia has worked in financial, technology, real estate and medical industries in Australia, Hong Kong, Taiwan and the United States. Employers have included Citibank, IBM, a real estate workout specialist firm and a psychotherapist practice and school. Sylvia has held managerial positions in Administration and Finance Management, Customer Service, Recruitment and Training. Sylvia founded the Fusion Culture Group and started the Fusion Tai Chi at Harris Community Centre and English Friendship Club at Ultimo Community Centre with the aim to bring people and cultures together through interactive and fun learning.

Sylvia's qualifications include: HR Development Program (Sydney TAFE); Real Estate Sales & Appraisal Program (New York University); Executive Training Program.

Special responsibilities: Marketing Committee, Community Engagement and Publicity Interests

Interest in shares: Nil

Gordon Bradley Elington

Director (Appointed 5 November 2015)

Occupation: Barrister, Company Director

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

Special responsibilities: Marketing Committee

Interest in shares: 1,100



**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**Directors' Report**

**Directors (continued)**

Vinh Van Lam

Director (Appointed 5 November 2015)

Occupation: Company Director

Qualifications, experience and expertise: Vinh is a multi-site manager and business advisor with experience in retail banking, coaching, mentoring and consulting. Vinh has direct experience in retail financial services, along with a solid understanding of retail banking operations and compliance requirements, an understanding of the residential lending, and a keen eye for the fundamental drivers of a successful retail bank branch. Associate Certificate – International Tourism; Dip Retail Management; Cert IV T&A.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Ian Gregory Bulluss

Director & Secretary (Resigned 1 July 2016)

Occupation: Retired Manager, Contracts & Vendor Relationship Management

Qualifications, experience and expertise: Ian's long career within NSW Government saw his information technology and management expertise extensively engaged within education and human services. Ian resides in Pymont and has been an active member of the local community and the NSW Justice Association. Ian holds a Diploma in Teaching (Sydney College of Adv. Ed.), Bachelor of Arts (University of New England), Graduate Diploma in Computing (Sydney College of Adv. Ed.), Certificate in Management (University of Western Sydney), Master of Computing (University of Western Sydney), and Master of Business Administration (Sturt University, Bathurst).

Special responsibilities: Secretary, Finance, Audit and Risk Committee

Interests in shares: 10,501

Robert Joseph Gavana

Chairman (Resigned 5 November 2015)

Occupation: Company Director

Qualifications, experience and expertise: Robert has 40 years of experience as a company director and more than 20 years in general management. Robert heads a long established family company that used to trade prominently as importers and distributors of wine, beverage and food products including such successful brands as Bolla, Caprari, Wither Hills, Sanpellegrino and Barilla. His prior national management experiences were with Olivetti Australia and later with the Australian Japan Container Line. Those experiences included management training in Florence, New York and Tokyo. Robert has a management certificate from the North Sydney Technical College. Robert resides in Pymont and is actively involved in local community organisations including his Strata Plan Executive Committee; Pymont Cares and The Blackwattle Cove Coalition Committee. He is a past vice president of Italian Opera Foundation Australia Ltd as well as a past deputy chairman of the Italian Chamber of Commerce & Industry Sydney.

Special responsibilities: Chairman

Interests in shares: 10,001

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

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

**Company Secretary**

The company secretary is Ian Gregory Bulluss (resigned 1 July 2016). Ian has held this position since 19 February 2010. Ian's long career within NSW Government saw his information technology and management expertise extensively engaged within education and human services. Ian is a registered Justice of the Peace (NSW) and an active member of the local community with involvement in Body Corporate Strata and the Jacksons Landing Community Association.

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**Directors' Report**

**Principal Activities**

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

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

**Operating results**

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

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
28,428	405,385

**Dividends**

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

**Significant changes in the state of affairs**

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

**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 of which a director is a member or an entity in which a director has a substantial financial interest.

**Indemnification and insurance of directors and officers**

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

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

#### Directors' meetings

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

	Board Meetings Attended		Committee Meetings					
			Marketing & Community Engagements		Secretariat		Finance Governance & Risk Management	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
John Charles Marsden	11	9	2	2	-	-	-	-
Patricia Teresa Strong	11	4	-	-	-	-	2	2
Margaret Broadbent	11	6	2	1	-	-	-	-
Charles Perry	11	9	-	-	-	-	2	2
John Leslie Hoff	11	7	-	-	-	-	-	-
Ashley Leander Limbury	11	10	-	-	2	1	-	-
John Lawrence O'Malley	11	9	-	-	-	-	2	2
Raymond Li Jin Tai	11	11	2	2	-	-	-	-
Sylvia Liu	11	4	2	2	-	-	-	-
Gordon Bradley Elkington (Appointed 5 November 2015)	7	7	-	-	-	-	-	-
Vinh Van Lam (Appointed 5 November 2015)	7	6	2	2	-	-	-	-
Ian Gregory Bullock (Resigned 1 July 2016)	11	8	-	-	2	2	-	-
Robert Joseph Gavagna (Resigned 5 November 2015)	4	3	2	1	-	-	-	-

#### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

#### Non audit services

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

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

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

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

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the board of directors at Pyrmont, New South Wales on 19 August 2016.



John Charles Marsden, Chairman



**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 2016, 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: 19 August 2016



**David Hutchings**  
Lead Auditor

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	662,511	597,778
Employee benefits expense		(281,402)	(184,796)
Charitable donations, sponsorship, advertising and promotion		(31,346)	(29,840)
Occupancy and associated costs		(145,971)	(138,568)
Systems costs		(32,844)	(34,019)
Depreciation and amortisation expense	5	(27,181)	(30,508)
Finance costs	5	(14,816)	(19,887)
General administration expenses		(74,407)	(71,003)
<b>Profit before income tax</b>		<b>54,544</b>	<b>89,157</b>
Income tax (expense)/credit	6	(26,116)	316,228
<b>Profit after income tax</b>		<b>28,428</b>	<b>405,385</b>
<b>Total comprehensive income for the year</b>		<b>28,428</b>	<b>405,385</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>		<b>c</b>	<b>c</b>
Basic earnings per share	22	2.9	40.68

The accompanying notes form part of these financial statements

City West Community Financial Services Limited  
ABN 34 134 051 219  
Balance Sheet  
as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	100	100
Trade and other receivables	8	39,052	44,013
<b>Total Current Assets</b>		<b>39,152</b>	<b>44,113</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	153,203	166,773
Intangible assets	10	53,657	67,268
Deferred tax asset	11	290,112	316,228
<b>Total Non-Current Assets</b>		<b>496,972</b>	<b>550,269</b>
<b>Total Assets</b>		<b>536,124</b>	<b>594,382</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	51,477	33,399
Borrowings	13	254,990	344,409
Provisions	14	3,353	7,552
<b>Total Current Liabilities</b>		<b>309,820</b>	<b>385,360</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	37,353	52,809
Provisions	14	7,218	2,908
<b>Total Non-Current Liabilities</b>		<b>44,571</b>	<b>55,717</b>
<b>Total Liabilities</b>		<b>354,391</b>	<b>441,077</b>
<b>Net Assets</b>		<b>181,733</b>	<b>153,305</b>
<b>Equity</b>			
Issued capital	15	961,485	961,485
Accumulated losses	16	(779,752)	(808,180)
<b>Total Equity</b>		<b>181,733</b>	<b>153,305</b>

The accompanying notes form part of these financial statements



City West Community Financial Services Limited  
ABN 34 134 051 219  
Statement of Changes in Equity  
for the year ended 30 June 2016

	Issued capital \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2014	<u>961,485</u>	<u>(1,213,565)</u>	<u>(252,080)</u>
Total comprehensive income for the year	<u>-</u>	<u>405,385</u>	<u>405,385</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	<u>961,485</u>	<u>(808,180)</u>	<u>153,305</u>
Balance at 1 July 2015	<u>961,485</u>	<u>(808,180)</u>	<u>153,305</u>
Total comprehensive income for the year	<u>-</u>	<u>28,428</u>	<u>28,428</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	<u>961,485</u>	<u>(779,752)</u>	<u>181,733</u>

The accompanying notes form part of these financial statements

City West Community Financial Services Limited  
 ABN 34 134 051 219  
 Statement of Cash Flows  
 for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		731,183	647,303
Payments to suppliers and employees		(612,432)	(499,720)
Interest paid		(13,876)	(19,887)
<b>Net cash provided by operating activities</b>	17	<u>104,875</u>	<u>127,696</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(1,240)
Payments for intangible assets		(15,456)	(5,997)
<b>Net cash used in investing activities</b>		<u>(15,456)</u>	<u>(7,237)</u>
<b>Net increase in cash held</b>		89,419	120,459
Cash and cash equivalents at the beginning of the financial year		(344,309)	(464,768)
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u>(254,890)</u>	<u>(344,309)</u>

The accompanying notes form part of these financial statements

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies**

**a) Basis of preparation**

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

**Compliance with IFRS**

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

**Critical accounting estimates**

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

**Historical cost convention**

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

**Comparative figures**

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

**Application of new and amended accounting standards**

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases.	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016



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

**a) Basis of preparation (continued)**

**Application of new and amended accounting standards (continued)**

	Effective for annual reporting periods beginning on or after
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
• AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
• AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

**Economic dependency - Bendigo and Adelaide Bank Limited**

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

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

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

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

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

**a) Basis of preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

**b) Revenue**

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

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

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

Core banking products

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

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

**b) Revenue (continued)**

**Margin**

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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

**Commission**

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

**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.

**Ability to change financial return**

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

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

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

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

**Monitoring and changing financial return**

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

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



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

**b) Revenue (continued)**

**Monitoring and changing financial return (continued)**

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

**c) Income tax**

**Current tax**

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

**Deferred tax**

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

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

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

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

**Current and deferred tax for the period**

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

**d) Employee entitlements**

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

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

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

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

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

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

**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**k) Financial instruments**

**Recognition and initial measurement**

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

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

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

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

**k) Financial instruments (continued)**

**Classification and subsequent measurement**

- (i) **Loans and receivables**  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) **Held-to-maturity investments**  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) **Available-for-sale financial assets**  
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.  
  
They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.
- (iv) **Financial liabilities**  
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment**

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

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

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

**n) Contributed equity**

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

**o) Earnings per share**

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



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

**p) Goods and Services Tax**

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

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

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

**Note 2. Financial risk management**

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

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

**(i) Market risk**

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

**(ii) Price risk**

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

**(iii) Credit risk**

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

**(iv) Liquidity risk**

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

**(v) Cash flow and fair value interest rate risk**

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

**(vi) Capital management**

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.



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**Note 2. Financial risk management (continued)**

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 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

**Note 3. Critical accounting estimates and judgements**

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

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

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

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

**Taxation**

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

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

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

**Estimation of useful lives of assets**

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

**Goodwill**

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

The calculations require the use of assumptions.

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**Note 3. Critical accounting estimates and judgements (continued)**

**Impairment of assets**

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

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

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

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

**Note 4. Revenue from ordinary activities**

	2016 \$	2015 \$
Operating activities:		
- services commissions	612,511	547,778
- other revenue	50,000	50,000
Total revenue from operating activities	<u>662,511</u>	<u>597,778</u>
Total revenues from ordinary activities	<u>662,511</u>	<u>597,778</u>

**Note 5. Expenses**

Depreciation of non-current assets:		
- plant and equipment	2,573	2,405
- leasehold improvements	10,997	10,997
Amortisation of non-current assets:		
- franchise agreement	2,269	2,156
- establishment fee	-	8,333
- franchise renewal fee	11,342	6,617
	<u>27,181</u>	<u>30,508</u>
Finance costs:		
- interest paid	<u>14,816</u>	<u>19,887</u>
Bad debts	<u>5,099</u>	<u>153</u>

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**Note 6. Income tax expense/(credit)**

	2016	2015
	\$	\$
The components of tax expense/(credit) comprise:		
- Movement in deferred tax	590	(2,288)
- Recoupment of prior year tax losses	15,956	31,784
- Future income tax benefit attributable to losses brought to account	-	(362,368)
- Adjustment to deferred tax to reflect change to tax rate in future periods	10,550	16,644
- Under/over provision in respect to prior years	(980)	-
	<u>26,116</u>	<u>(316,228)</u>

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

Operating profit	54,544	89,157
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	15,545	26,747
Add tax effect of:		
- non-deductible expenses	21	2,750
- timing difference expenses	390	2,287
	<u>15,956</u>	<u>31,784</u>

Movement in deferred tax	11	590	(2,288)
Adjustment to deferred tax to reflect change of tax rate in future periods		10,550	16,644
Future income tax benefit attributable to losses brought to account		-	(362,368)
Under/(over) provision of income tax in the prior year		(980)	-
		<u>26,116</u>	<u>(316,228)</u>

**Note 7. Cash and cash equivalents**

Cash at bank and on hand	<u>100</u>	<u>100</u>
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**Note 7.(a) Reconciliation to cash flow statement**

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

Cash at bank and on hand		100	100
Bank overdraft	13	(254,990)	(344,409)
		<u>(254,890)</u>	<u>(344,309)</u>

**Note 8. Trade and other receivables**

Trade receivables	34,138	38,406
Prepayments	4,914	5,607
	<u>39,052</u>	<u>44,013</u>

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**Note 9. Property, plant and equipment**

	2016 \$	2015 \$
Leasehold improvements		
At cost	214,375	214,375
Less accumulated depreciation	(71,310)	(60,313)
	<u>143,065</u>	<u>154,062</u>
Plant and equipment		
At cost	38,409	38,409
Less accumulated depreciation	(28,271)	(25,698)
	<u>10,138</u>	<u>12,711</u>
Total written down amount	<u>153,203</u>	<u>166,773</u>

**Movements in carrying amounts:**

Leasehold improvements		
Carrying amount at beginning	154,062	165,059
Less: depreciation expense	(10,997)	(10,997)
Carrying amount at end	<u>143,065</u>	<u>154,062</u>
Plant and equipment		
Carrying amount at beginning	12,711	13,876
Additions	-	1,240
Less: depreciation expense	(2,573)	(2,405)
Carrying amount at end	<u>10,138</u>	<u>12,711</u>
Total written down amount	<u>153,203</u>	<u>166,773</u>

**Note 10. Intangible assets**

Franchise fee		
At cost	21,343	21,343
Less: accumulated amortisation	(13,592)	(11,323)
	<u>7,751</u>	<u>10,020</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
Renewal processing fee		
At cost	56,713	56,713
Less: accumulated amortisation	(17,959)	(6,617)
	<u>38,754</u>	<u>50,096</u>
Redomicile fee		
At cost	7,152	7,152
	<u>7,152</u>	<u>7,152</u>
Total written down amount	<u>53,657</u>	<u>67,268</u>



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Note 11. Tax	2016	2015
	\$	\$
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	973	741
- employee provisions	2,907	2,981
- tax losses carried forward	287,090	312,506
	<u>290,970</u>	<u>316,228</u>
Deferred tax liability		
- property, plant and equipment	858	-
	<u>858</u>	<u>-</u>
Tax losses not brought to account	290,112	316,228
Net deferred tax asset	<u>290,112</u>	<u>316,228</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>26,116</u>	<u>(316,228)</u>
 <b>Note 12. Trade and other payables</b>		
<b>Current:</b>		
Trade creditors	5,924	5,432
Other creditors and accruals	45,553	27,967
	<u>51,477</u>	<u>33,399</u>
<b>Non-Current:</b>		
Other creditors and accruals	37,353	52,809
	<u>37,353</u>	<u>52,809</u>
 <b>Note 13. Borrowings</b>		
<b>Current:</b>		
Bank overdrafts	254,990	344,409
	<u>254,990</u>	<u>344,409</u>
The company has an approved overdraft facility of \$575,000. The overdraft was interest free for the first 6 months after initial draw down. The interest free period of six months expired during February 2012. Interest is charged at the commercial interest rate as per agreement with franchisor (currently 4.285%). The overdraft is secured by a fixed and floating charge over the company's assets.		
 <b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	3,353	1,863
Provision for long service leave	-	5,689
	<u>3,353</u>	<u>7,552</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>7,218</u>	<u>2,908</u>

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<b>Note 15. Contributed equity</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
996,511 ordinary shares fully paid (2015: 996,511)	996,511	996,511
Less: equity raising expenses	(35,026)	(35,026)
	<u>961,485</u>	<u>961,485</u>

**Rights attached to shares**

**(a) Voting rights**

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

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

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

**(b) Dividends**

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

**(c) Transfer**

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

**Prohibited shareholding interest**

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 218. As at the date of this report, the company had 242 shareholders.

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

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

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

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

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	2016 \$	2015 \$
<b>Note 16. Accumulated losses</b>		
Balance at the beginning of the financial year	(808,180)	(1,213,565)
Net profit from ordinary activities after income tax	28,428	405,385
Balance at the end of the financial year	<u>(779,752)</u>	<u>(808,180)</u>

**Note 17. Statement of cash flows**

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	28,428	405,385
Non cash items:		
- depreciation	13,570	13,402
- amortisation	13,611	17,106
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,961	(9,837)
- (increase)/decrease in other assets	26,116	(316,228)
- increase/(decrease) in payables	18,078	16,198
- increase/(decrease) in provisions	111	1,670
Net cash flows provided by operating activities	<u>104,875</u>	<u>127,696</u>

**Note 18. Leases**

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	138,649	134,611
- between 12 months and 5 years	346,623	471,138
- greater than 5 years	-	-
	<u>485,272</u>	<u>605,749</u>

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

**Note 19. Auditor's remuneration**

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

- audit and review services	4,100	3,950
- share registry services	1,800	1,750
- other non audit services	2,330	2,290
	<u>8,230</u>	<u>7,990</u>

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**Note 20. Director and related party disclosures**

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

John Charles Marsden  
Patricia Teresa Strong  
Margaret Broadbent  
Charles Perry  
John Leslie Hoff  
Ashley Leander Limbury  
John Lawrence O'Meally  
Raymond Li Jin Tai  
Sylvia Liu  
Gordon Bradley Elkington (Appointed 5 November 2015)  
Vinh Van Lam (Appointed 5 November 2015)  
Ian Gregory Bulluss (Resigned 1 July 2016)  
Robert Joseph Gavagna (Resigned 5 November 2015)

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

Directors Shareholdings	2016	2015
John Charles Marsden	5,001	5,501
Patricia Teresa Strong	5,001	5,001
Margaret Broadbent	6,001	6,001
Charles Perry	12,501	12,501
John Leslie Hoff	50,501	50,501
Ashley Leander Limbury	1,501	1,501
John Lawrence O'Meally	-	-
Raymond Li Jin Tai	15,000	15,000
Sylvia Liu	-	-
Gordon Bradley Elkington (Appointed 5 November 2015)	1,100	1,100
Vinh Van Lam (Appointed 5 November 2015)	-	-
Ian Gregory Bulluss (Resigned 1 July 2016)	10,501	10,501
Robert Joseph Gavagna (Resigned 5 November 2015)	10,001	10,001

**Community Bank® Directors' Privileges Package**

The board has adopted the **Community Bank® Directors' Privileges Package**. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Pyrmont. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2016 (2015: \$nil).

**Note 21. Key Management Personnel Disclosures**

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

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

Note 22. Earnings per share		2016	2015
		\$	\$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	28,428	405,385
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	996,511	996,511

**Note 23. Events occurring after the reporting date**

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



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**Note 24. Contingent liabilities and contingent assets**

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

**Note 25. Segment reporting**

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

**Note 26. Registered office/Principal place of business**

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

Registered Office  
148 Harris Street  
Pyrmont NSW 2009

Principal Place of Business  
148 Harris Street  
Pyrmont NSW 2009

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
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**for the year ended 30 June 2016**

**Note 27. Financial instruments**

**Financial Instrument Composition and Maturity Analysis**

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	100	100	0.00	0.00
Receivables	-	-	-	-	-	-	-	-	34,138	38,406	N/A	N/A
Financial liabilities												
Interest bearing liabilities	254,990	344,409	-	-	-	-	-	-	-	-	4.66	4.87
Payables	-	-	-	-	-	-	-	-	5,924	5,432	N/A	N/A

**Net Fair Values**

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

**Credit Risk**

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

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

**Interest Rate Risk**

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

**Sensitivity Analysis**

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(2,550)	(3,444)
Decrease in interest rate by 1%	2,550	3,444
Change in equity		
Increase in interest rate by 1%	(2,550)	(3,444)
Decrease in interest rate by 1%	2,550	3,444

**City West Community Financial Services Limited**  
**ABN 34 134 051 219**  
**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 2016 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.



John Charles Marsden, Chairman

Signed on the 19th of August 2016.

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

### **Report on the financial report**

We have audited the accompanying financial report of City West Community Financial Services Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

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

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

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

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

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



## Independence

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

## Auditor's opinion on the financial report

In our opinion:

1. The financial report of City West Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 19 August 2016



**David Hutchings**  
Lead Auditor