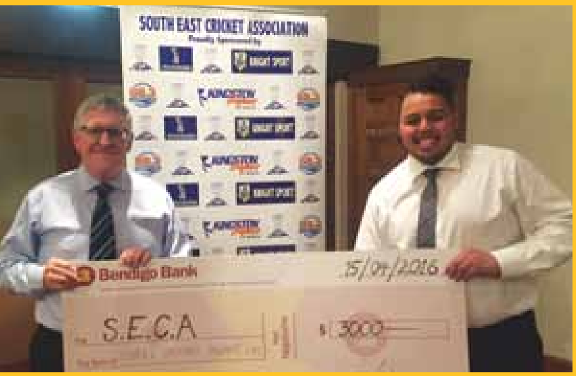


2016 Annual Report

Caulfield Park **Community Bank**© Branch

Bendigo Bank

Contents

Chairman's Message

It gives me great pleasure to present our 2016 annual report.

We have now contributed over $800,000 to the local community, via grants to scores of local community groups. We have included a list of these organisations in this annual report, again demonstrating the wide scope of our support for sporting clubs, schools, welfare groups and local congregations throughout the year.

Our successful partnership with a number of cricket clubs continues, especially through our long-term strategic relationship with the South East Cricket Association (SECA) and its affiliated clubs, especially Washington Park Cricket Club.

Our ability to provide grants is solely dependent on receiving profitable business – particularly challenging when we have grappled with reduced profit margins following a restructure in the way Bendigo and Adelaide Bank Ltd (BEN) pays our income. But the diligent efforts of our staff and the competitive product offerings from BEN mean we have featured among the most highly performing community bank branches in Victoria.

The Board

Directors have again focused on succession planning, improving governance and marketing this year. Immediate Past Chairman Sam Parasol OAM continues to be a generous mentor and active board member. Treasurer and Company Secretary Gary Hershan has also been a dedicated contributor throughout the year. I thank Allan Grosman, David Clarke and Chris Gorrie for all their support and service to the board throughout the year.

At the time of writing, I have recently returned from a leave of absence following the birth of my second child. Thank you to Sam and Gary for so adeptly 'holding the fort' and to all directors, staff and customers for their patience and warm wishes.

Allan will be retiring from the board at the 2016 Annual General Meeting after many years of service. Allan has brought invaluable business and networking experience to the board. We will miss Allan and wish him well in his future endeavours.

Following the best-practice director recruitment process we undertook in 2015, this year we invited five shortlisted prospective directors to shadow the board, with a view to recruiting at least two new directors at the next AGM. I am delighted to welcome four new directors to the board: Jeff Kagan, Philip Knight, Emma Boyar and Harriet Warlow-Shill. Each brings diverse professional experience, wide networks and a passion for community service.

Very special thanks to our incomparable Branch Ambassador, Rysia Rozen OAM, Jacob Kingsley and Lowe Lippmann Chartered Accountants and Business Advisors, Susan Leigh and Leigh Bookkeeping Services, Sandy Anderson JP, Sol Leski, Dr Mervyn Cass, Ruth Parasol, Robyn Clewer and Grahame Leonard AM for their ongoing efforts.

The Staff

This year we farewelled Hanna Shuvaly upon her retirement and welcomed the appointment of long-serving senior manager Jignesh Jasani as Branch Manager. Rajan Kumar and Guireh Darar were promoted, and Rachael Mwangi and Hannah Donovan joined the team. Sue Cleal continues to provide valued support. Our staff have performed exceptionally well under Jignesh's leadership. On behalf of the board, I thank our staff for their outstanding customer service this year. Thank you also to our regional financial planner Ben Dascal and our business banking manager Andrew Hogan.

Following a BEN restructure, we moved to a new region as of 1 July 2016. We thank Brad Peel, Sarah Caldwell and the Eastern Region team for all their assistance over the years, and we look forwarding to working with Mark Nolan, Michelle McDonald and the Bayside Region team going forward.

Changes to Financial Model

A core principle of the **Community Bank®** model is a 50/50 share of margin earned on core banking products. To better reflect this core principal, a new Revenue Share model was introduced from 1 July 2016.

BEN has adopted a Funds Transfer Pricing (FTP) model for **Community Bank®** Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding;
- gives the BEN Group a better understanding of the net interest margin component of overall profitability; and
- assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

The BEN FTP revenue share sources **Community Bank®** product data and then applies BENs FTP rates to calculate revenue share for each **Community Bank®** branch by core banking product i.e. loans and deposits. The BEN FTP revenue share is reported to each **Community Bank®** company on a monthly basis.

The FTP methodology is reviewed annually with changes approved by BEN's Asset & Liability Management Committee (ALMAC). BEN's Board Risk Committee approves changes to the FTP Policy.

BEN has undertaken to our company that they will ensure that we will receive support payments, in the event we are adversely by the changes such that the revenue share we receive is below a calculated baseline revenue, under the new financial revenue share model, for a period of three years. The purpose of this transitional support is to provide the Community Bank® company with a revenue baseline while it grows and diversifies its business to increase revenue.

The Future

The year ahead will be challenging, as we adjust to the new BEN FTP payment model. Our staff are focused on increasing the volume of business and our board is taking a strategic approach to business development, marketing and awarding sponsorships.

On behalf of the Caulfield Park Community Bank family, thank you for your ongoing support

Kate Ashmor
Chairman

Branch Manager's Report

Although I am a newly appointed Branch Manager at Caulfield Park Bendigo Bank, I have been a part of this branch for just over six years. I have worked under successful leadership with our previous manager Hanna Shuvaly. This year has been challenging for all staff due to unexpected movements that occurred earlier this year.

I would like to thank Hanna and Shirley for their contributions towards the success of this branch and wish them well with their future endeavours. We also saw some changes in terms of new roles and positions for Raj and Guireh, who both have received well deserved promotions, as Customer Relationship Manager (CRM) and Customer Relationships Officer (CRO) respectively. We have also taken on board two new staff members this year: Hannah in the role of Senior Customer Service Officer (CSO) and Rachel as a part time CSO, allowing Sue to also step into a part time CSO role.

We took over our new roles in March of this year and very soon we became a team. From very early on it has been quite evident that all of us are success driven and have set high expectations of ourselves.

Our newly formed team has achieved the highest lending growth amongst all branches in Melbourne metro for the quarter of April to June, wo win the Focus 100 competition held by Bendigo Bank. We also achieved the highest growth in the region for branch lending growth for the year. We continued to grow our partnership with local non-profit community organisations and have started to see strong support from members of these organisations, who have made Caulfield Park Bendigo Bank their primary bank.

We as a team have set ourselves some big goals for the financial year ahead and are quite confident of achieving them with help from existing customers, shareholders, the board, State Support and other departments of Bendigo Bank.

Last financial year has seen us achieve strong growth in branch lending and deposits, however there was a negative growth in business lending. We also saw growth in other product sales such as insurance, credit cards and wealth products thus increasing our non-gap income. This year we aim to do more with our existing and new customers by having holistic conversations and exploring their financial needs, and matching them with product and services offered by us.

The team at Caulfield Park would personally like to thank shareholders, the board, State Support and above all our customers for their continued support and for putting their faith in us to collectively make a difference in our local community. We look forward to having another successful year and to achieving greater outcomes for the community.

Best wishes,

Jignesh Jasani
Branch Manager

Community Organisations Awarded Sponsorships & Grants This Year

Armadale Bowls Club

Association of Independent Retirees Bayside Glen Eira

B'nai Brith Anti Defamation Commission

Bayside Companion Dog Training School

Bayside Polio Group

Carnegie South Cricket Club

Carnegie United Kings Cricket Club

Council of Christians and Jews (Victoria)

Glen Eira Artists Society

Glen Eira Chinese Senior Citizens Club Inc

Glen Eira City Choir

Hamayan Congregation

Hatzolah

Heichal Hatorah

Highett West Cricket Club

IMPACT for Women Inc

Jewish Bereaved Parents Support Group

Jewish Taskforce Against Family Violence

Kehillat Ohr David

Knit One Give One

Leibler Yavneh College

Le Page Park Cricket Club

Little Dreamers

Mackie Cricket Club

Maccabi Athletic Club

Melbourne Blues Cricket Club

National Council of Jewish Women Australia

National Council of Jewish Women Australia (Victorian Division)

Refocus Club Melbourne

Russian Sunday School Lider

Shir Maddness Jewish Music Festival

South East Cricket Association

St Aloysius Primary School

St John's Elsternwick

Tzofim Melbourne

United Jewish Education Board

Washington Park Cricket Club

Wings of Care

YOW Australian Motor Cycle Club

Zionism Victoria

Caulfield Park Community Financial Services Limited

Financial Statements

30 June 2016

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

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

Kate Ashmor

Chair

Occupation: Lawyer, Company Director

Qualifications, experience and expertise: Managing Director of Ashmor Legal Pty Ltd. Lawyer of ten+ years experience. Bachelor of Laws / Bachelor of Arts (Monash). Member of the Australian Institute of Company Directors.

Other directorships: Alola Australia Ltd (Resigned Dec 2015)

Special Responsibilities: Chair, Grants & Community Engagement Committee, (Chair) Grants Sub-Committee, and Finance & Audit Committee.

Interests in shares: Nil Ordinary Shares

Gary Arnold Hershan

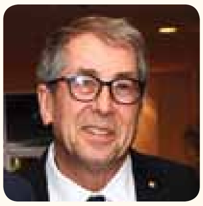
Secretary & Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: Gary has been a principal in Public Practice for over 45 years. Over this period he has provided business, accounting and taxation advice to many businesses, particularly in the SME sector. He has held executive positions with a number of not-for-profit organisations. Currently he is the Treasurer of 'Not Fair', a promotor of the Visual Arts.

Special responsibilities: Finance & Audit Committee (Chair).

Interest in shares: Nil Ordinary Shares



Samuel Parasol OAM

Director

Occupation: Director

Qualifications, experience and expertise: Company director and owner of clothing business for 40 years, and extensive involvement for over 50 years in community and sporting groups.

Special Responsibilities: Grants & Community Engagement Committee, Grants Sub-Committee (Chair) and Finance & Audit Committee.

Interests in shares: 4,000 Ordinary Shares

Allan Grosman

Director

Occupation: Investor

Qualifications, experience and expertise: 40 years in managing various businesses in the fashion and clothing industry. Investor in various property and financial assets. Is currently a non-executive director of the Reading Room Inc, Sabena Fashion Group and Difuze HR.

Special Responsibilities: Grants & Community Engagement Committee, and Grants Sub-Committee

Interests in shares: 3,000 Ordinary Shares

David Keith Clarke

Director

Occupation: Managing Director

Qualifications, experience and expertise: Over 30 years of experience in senior management positions with a strong bent towards marketing, advertising and sales. Managerial Director of Snap Caulfield South.

Special Responsibilities: Grants and Community Engagement Committee, and Finance and Audit Committee

Interests in shares: Nil Ordinary Shares

Christopher David Gorrie

Director (Appointed 26 November 2015)

Occupation: Junior Participation Specialist

Qualifications, experience and expertise: From a career perspective I worked in the finance industry for 20+ years before changing careers and joining Cricket Australia in 2012. In the community I have been a member of Washington Park Cricket Club since 1985 where I commenced as a Junior. Roles at the club have included captain/coach, Vice-President, committee member since 1992 and I am currently the club's Junior Coordinator.

Special responsibilities: Nil

Interest in shares: Nil Ordinary Shares

Yvette Shaw

Director (Resigned 26 November 2015)

Occupation: Dept of Health and Human Services

Qualifications, experience and expertise: Over 25 years in a profession and volunteer capacity managing, directing and coordinating large scale projects in business, community and education sectors. Graduate Diploma in Child Psychiatry (Melbourne University).

Special responsibilities: Nil

Interests in shares: 500 Ordinary Shares

Tania Rochelle Burstin

Director (Resigned 26 November 2015)

Occupation: Managing Director

Qualifications, experience and expertise: Director of online Fundraising Social Network. Extensive experience in marketing, communication, publishing and fundraising. Board member of UJEB.

Special responsibilities: Nil

Interests in shares: Nil Ordinary Shares

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 Gary Arnold Hershan. Gary was appointed on 12 December 2014. Gary is a Chartered Accountant.

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 $
107,680	109,602

Dividends

		Year ended 30 June 2016
- Dividends paid in the year	Cents	$
	5	36,755

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Number of Board Meetings	
	Eligible to attend	**Number attended**
Kate Ashmor	9	8
Gary Arnold Hershan	9	9
Samuel Parasol OAM	9	9
Allan Grosman	9	6
David Keith Clarke	9	6
Christopher David Gorrie (Appointed 26 November 2015)	6	6
Yvette Shaw (Resigned 26 November 2015)	4	4
Tania Rochelle Burstin (Resigned 26 November 2015)	4	4

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 10.

Signed in accordance with a resolution of the board of directors at Caulfield Park, Victoria on 28 September 2016.

Gary Arnold Hershan, Chairman

Partners in success
Chartered Accountants

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

As lead auditor for the audit of Caulfield Park 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: 28 September 2016

David Hutchings
Lead Auditor

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

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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	921,884	931,770
Employee benefits expense		(445,031)	(431,776)
Charitable donations, sponsorship, advertising and promotion		(82,912)	(100,100)
Occupancy and associated costs		(114,345)	(110,168)
Systems costs		(20,054)	(21,552)
Depreciation and amortisation expense	5	(18,394)	(19,218)
General administration expenses		(89,860)	(91,240)
Profit before income tax expense		**151,288**	**157,716**
Income tax expense	6	(43,608)	(48,114)
Profit after income tax expense		**107,680**	**109,602**
Total comprehensive income for the year		**107,680**	**109,602**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	14.65	14.91

The accompanying notes form part of these financial statements

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Balance Sheet as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	715,736	616,546
Trade and other receivables	8	81,309	83,281
Total Current Assets		**797,045**	**699,827**
Non-Current Assets			
Property, plant and equipment	9	71,110	75,763
Intangible assets	10	1,193	54,934
Deferred tax asset	11	8,888	12,509
Total Non-Current Assets		**121,191**	**143,206**
Total Assets		**918,236**	**843,033**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	99,221	67,580
Current tax liabilities	11	9,384	23,996
Provisions	13	18,543	29,804
Total Current Liabilities		**127,148**	**121,380**
Non-Current Liabilities			
Provisions	13	10,076	11,566
Total Non-Current Liabilities		**10,076**	**11,566**
Total Liabilities		**137,224**	**132,946**
Net Assets		**781,012**	**710,087**
Equity			
Issued capital	14	545,255	545,255
Retained earnings	15	235,757	164,832
Total Equity		**781,012**	**710,087**

The accompanying notes form part of these financial statements

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital $	Retained earnings $	Total equity $
Balance at July 2014	545,255	91,985	637,240
Total comprehensive income for the year	-	109,602	109,602
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(36,755)	(36,755)
Balance at 30 June 2015	545,255	164,832	710,087
Balance at July 2015	545,255	164,832	710,087
Total comprehensive income for the year	-	107,680	107,680
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(36,755)	(36,755)
Balance at 30 June 2016	545,255	235,757	781,012

The accompanying notes form part of these financial statements

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		989,789	992,227
Payments to suppliers and employees		(814,941)	(795,815)
Interest received		15,696	17,874
Income taxes paid		(54,599)	(25,266)
Net cash provided by operating activities	16	135,945	189,020
Cash flows from financing activities			
Dividends paid		(36,755)	(36,755)
Net cash used in financing activities		(36,755)	(36,755)
Net increase in cash held		99,190	152,265
Cash and cash equivalents at the beginning of the financial year		616,546	464,281
Cash and cash equivalents at the end of the financial year	7(a)	715,736	616,546

The accompanying notes form part of these financial statements

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2016

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

a) Basis of preparation

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
• 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
• 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 Caulfield Park, Victoria.

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

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

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

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

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2016

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

Margin

Margin is arrived at through the following calculation:

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Notes to the Financial Statements for the year ended 30 June 2016

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

b) Revenue *(continued)*

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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Notes to the Financial Statements for the year ended 30 June 2016

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

b) Revenue *(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.

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Notes to the Financial Statements for the year ended 30 June 2016

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

d) Employee entitlements *(continued)*

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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Notes to the Financial Statements for the year ended 30 June 2016

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

k) Financial instruments *(continued)*

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

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

(iii) 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 of 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.

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Notes to the Financial Statements for the year ended 30 June 2016

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

m) Provisions *(continued)*

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(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

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Notes to the Financial Statements for the year ended 30 June 2016

Note 2. Financial risk management *(continued)*

recorded in the Balance Sheet.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 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.

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

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Notes to the Financial Statements for the year ended 30 June 2016

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

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.

	2016	2015
Note 4. Revenue from ordinary activities	**$**	**$**
Operating activities:		
- services commissions	857,006	869,954
- other revenue	2,175	2,500
Total revenue from operating activities	859,181	872,454
Non-operating activities:		
- interest received	15,696	14,413
- rental revenue	47,007	44,903
Total revenue from non-operating activities	62,703	59,316
Total revenues from ordinary activities	921,884	931,770

Note 5. Expenses

Depreciation of non-current assets:		
- leasehold improvements	1,217	1,218
- plant and equipment	1,942	2,198
- furniture and fittings	1,494	2,023
Amortisation of non-current assets:		
- franchise agreement	2,290	2,327
- franchise renewal fee	11,451	11,452
	18,394	19,218
Bad debts	652	117

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Notes to the Financial Statements for the year ended 30 June 2016

	2016	2015
Note 6. Income tax expense	**$**	**$**
The components of tax expense comprise:		
- Current tax	39,987	53,657
- Movement in deferred tax	3,298	(6,201)
- Adjustment to deferred tax to reflect change to tax rate in future periods	323	658
	43,608	48,114
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	151,288	157,716
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	43,117	47,315
Add tax effect of:		
- non-deductible expenses	168	141
- timing difference expenses	(3,298)	6,201
	39,987	53,657
Movement in deferred tax	3,298	(6,201)
Adjustment to deferred tax to reflect change of tax rate in future periods	323	658
	43,608	48,114

Note 7. Cash and cash equivalents

Cash at bank and on hand	37,264	103,173
Term deposits	678,472	513,373
	715,736	616,546

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	37,264	103,173
Term deposits	678,472	513,373
	715,736	616,546

Note 8. Trade and other receivables

Trade receivables	74,629	76,155
Prepayments	6,680	7,126
	81,309	83,281

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Notes to the Financial Statements for the year ended 30 June 2016

Note 9. Property, plant and equipment	2016 $	2015 $
Leasehold improvements		
At cost	48,698	48,698
Less accumulated depreciation	(14,608)	(13,391)
	34,090	35,307
Plant and equipment		
At cost	80,903	80,903
Less accumulated depreciation	(55,845)	(53,903)
	25,058	27,000
Furniture and fittings		
At cost	63,621	63,621
Less accumulated depreciation	(51,659)	(50,165)
	11,962	13,456
Total written down amount	71,110	75,763

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	35,308	36,526
Additions		
Disposals		
Less: depreciation expense	(1,217)	(1,218)
Carrying amount at end	34,091	35,308
Plant and equipment		
Carrying amount at beginning	27,000	29,198
Additions		
Disposals		
Less: depreciation expense	(1,942)	(2,198)
Carrying amount at end	25,058	27,000
Furniture and fittings		
Carrying amount at beginning	13,455	15,478
Additions		
Disposals	-	-
Less: depreciation expense	(1,494)	(2,023)
Carrying amount at end	11,961	13,455
Total written down amount	71,110	75,763

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Notes to the Financial Statements for the year ended 30 June 2016

	2016	2015
Note 10. Intangible assets	$	$
Franchise fee		
At cost	32,930	32,930
Less: accumulated amortisation	(26,095)	(23,805)
	6,835	9,125
Establishment fee		
At cost	114,645	114,645
Less: accumulated amortisation	(80,287)	(68,836)
	34,358	45,809
Total written down amount	41,193	54,934

Note 11. Tax

	2016	2015
Current:		
Income tax payable	9,384	23,996
Non-Current:		
Deferred tax assets		
- accruals	1,018	719
- employee provisions	7,870	11,790
	8,888	12,509
Net deferred tax asset	8,888	12,509
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	3,621	(1,762)

Note 12. Trade and other payables

	2016	2015
Current:		
Trade creditors	12,191	9,798
Other creditors and accruals	87,030	57,782
	99,221	67,580

Note 13. Provisions

	2016	2015
Current:		
Provision for annual leave	18,543	29,804
Non-Current:		
Provision for long service leave	10,076	11,566

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Notes to the Financial Statements for the year ended 30 June 2016

Note 14. Contributed equity	2016 $	2015 $
735,107 ordinary shares fully paid (2015: 735,107)	735,107	735,107
Less: return of capital	(147,022)	(147,022)
Less: equity raising expenses	(42,830)	(42,830)
	545.255	545,255

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 they control or own 10% or more of the shares in the company (the "10% limit").

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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Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Retained earnings	2016 $	2015 $
Balance at the beginning of the financial year	164,832	91,985
Net profit from ordinary activities after income tax	107,680	109,602
Dividends paid or provided for	(36,755)	(36,755)
Balance at the end of the financial year	235,757	164,832

Note 16. 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	107,680	109,602
Non cash items:		
- depreciation	4,653	5,439
- amortisation	13,741	13,779
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,972	(3,388)
- (increase)/decrease in other assets	3,621	(4,332)
- increase/(decrease) in payables	31,641	23,601
- increase/(decrease) in provisions	(12,751)	17,139
- increase/(decrease) in current tax liabilities	(14,612)	27,180
Net cash flows provided by operating activities	135,945	189,020

Note 17. Leases

Operating lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	84,870	82,000
- between 12 months and 5 years	169,740	246,000
- greater than 5 years	-	-
	254,610	328,000

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease expires on 30 June 2019, with options for a further term of five years available to be exercised.

Note 18. 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	3,175	3,475
- other non audit services	2,085	2,142
	9,360	9,567

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Notes to the Financial Statements for the year ended 30 June 2016

	2016	2015
Note 19. Director and related party disclosures	**$**	**$**

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

Kate Ashmor
Gary Arnold Hershan
Samuel Parasol OAM
Allan Grosman
David Keith Clarke
Christopher David Gorrie *(Appointed 26 November 2015)*
Yvette Shaw *(Resigned 26 November 2015)*
Tania Rochelle Burstin *(Resigned 26 November 2015)*

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	2016	2015
David Clarke is the owner of Snap Printing which provided art work production and printing services.	11,521	11,522

Directors Shareholdings	**2016**	**2015**
Kate Ashmor		
Gary Arnold Hershan		
Samuel Parasol OAM	4,000	4,000
Allan Grosman	3,000	3,000
David Keith Clarke		
Christopher David Gorrie *(Appointed 26 November 2015)*	-	-
Yvette Shaw *(Resigned 26 November 2015)*	500	500
Tania Rochelle Burstin *(Resigned 26 November 2015)*		

Note 20. Dividends paid or provided

a. Dividends paid during the year

	2016	2015
Current year dividend		
100% (2015: 100%) franked dividend - 5 cents (2015: 5 cents) per share	36,755	36,755

The tax rate at which dividends have been franked is 30% (2015: 30%).

b. Franking account balance

	2016	2015
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	101,382	62,865
- franking credits that will arise from payment of income tax as at the end of the financial year	9,384	23,996
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	110,766	86,861
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period		
Net franking credits available	110,766	86,861

Caulfield Park Community Financial Services Limited
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Notes to the Financial Statements for the year ended 30 June 2016

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	107,680	109,602
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	735,107	735,107

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank® services in Caulfield Park in Melbourne, Victoria 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	Principal Place of Business
Level 7, 616 St Kilda Road	193 Balaclava Road
Melbourne VIC 3004	Caulfield North VIC 3161

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Financial assets												
Cash and cash equivalents	37,264	103,173	678,472	513,373	-	-	-	-	-	-	2.26	2.53
Receivables	-	-	-	-	-	-	-	-	74,629	76,155	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	12,191	9,798	N/A	N/A

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Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Financial instruments *(continued)*	**2016 $**	**2015 $**

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		
Increase in interest rate by 1%	7,157	6,165
Decrease in interest rate by 1 %	7,157	6,165
Change in equity		
Increase in interest rate by 1%	7,157	6,165
Decrease in interest rate by 1%	7,157	6,165

Caulfield Park Community Financial Services Limited
ABN 42 106 397 504

Directors' Declaration

In accordance with a resolution of the directors of Caulfield Park Community Financial Services Limited, we state

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.

Gary Arnold Hershan, Director

Signed on the 28th of September 2016.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Caulfield Park Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Caulfield Park 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.

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

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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

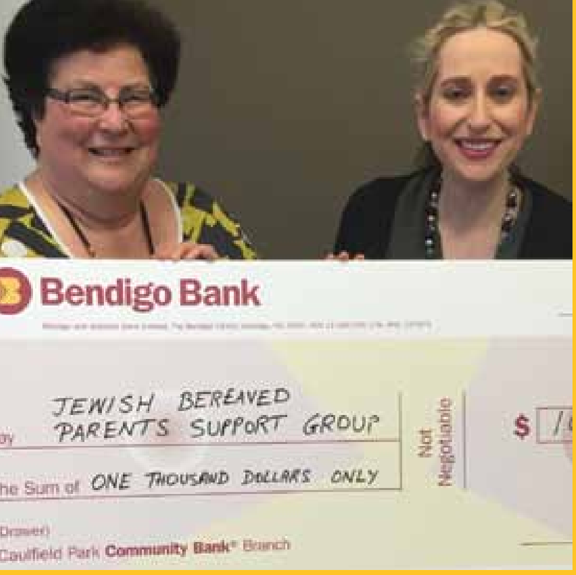
In our opinion:

1. The financial report of Caulfield Park 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: 28 September 2016

David Hutchings
Lead Auditor

NOTES



Bendigo Bank

Caulfield Park **Community Bank**© Branch

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