

2018 Annual Report



Caulfield Park
Community Bank[©]
Branch



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Chairman's Message



It is with great pleasure that I present our 2018 Annual Report.

We have contributed approximately \$1,350,000 to our local community over the last fifteen years, and the breadth of community groups we support continues to expand – from sporting clubs to schools, from welfare groups and to local religious congregations.

This year we also partnered with David Southwick, Member for Caulfield, to award \$250 to each organisation whose volunteer was the recipient of a Caulfield District Volunteer Award.

We sponsored the inaugural Bayside Women's Cricket Competition, a ground-breaking opportunity for local girls and women to participate in cricket played at Caulfield Park.

Our branch continues to win awards and lead the field in performance. We were awarded overall Branch of the Year for Bendigo Bank's Bayside Region, having come runner-up several times.

It has, once again, been an outstanding year of achievement.

The Board

Our board has continued to focus on governance, risk management and strategic planning. Grant applications are now entirely received through an online form, providing for transparency and convenient reporting. Board Administrator Sabina Filippin has been of invaluable assistance with board meeting administration, grants management and record keeping – thank you Sabina!

Thank you also to all our dedicated directors for their ongoing voluntary contributions: Gary Hershan, Sam Parasol OAM, David Clarke, Emma Boyar, Harriet Warlow-Shill, Philip Knight, Jeff Kagan, Michael Lipshutz OAM and Shumley Goldberg. Chris Gorrie is retiring as a Director and we thank him for his contribution over the past three years.

Thank you also to our Branch Ambassador, Rysia Rozen OAM, our book keeper Susan Leigh, Jacob Kingsley and Lowe Lippmann Chartered Accountants and Business Advisors, our auditors AFS Chartered Accountants as well as "wise owls" Sol Leski, Sandy Anderson JP, Dr Mervyn Cass, Ruth Parasol and Grahame Leonard AM for their continued generosity.

The Staff

Jignesh Jasnai leads our wonderful team: Rajan Kumar, Guireh Darar, Rachael Mwangi, Hannah Downes and Sue Cleal. We are blessed to have such a close and highly-regarded team, under Jignesh's exceptional leadership. On behalf of the board, I thank our staff for their dedication and passion. Thank you also to our regional financial planner Ben Dascal, as well as our regional business banker Yuri Schneider.

Regional Manager Mark Nolan has been our steadfast and patient partner along the journey this year and we are very grateful for his support. Thank you also to Natalie Gool, Jane Turner and the team at Bayside Region.

The Future

At the time of writing, I have recently embarked on a leave of absence from the board. Gary Hershan will be taking over as chairman. With the banking sector facing more challenges and changes ahead, I couldn't think of a steadier hand to steer the ship at Caulfield Park.

Kate Ashmor

Chairman

Branch Manager's Report

It's been another challenging but successful year as a team. This year has been a challenging year for banking industry with a lot of attention on the industry by regulators and Royal commission. Throughout the year we have constantly been evolving to ensure our customers continue to be in the centre of how we do business. Over the last 12 months we have also focussed on the development of our staff to ensure they were acquiring relevant skills, knowledge and experience towards their next career goals.

WE are happy to report that after 3 years of finishing as runners-up, our team has put in a wonderful team performance which has been recognised by Regional management and we were awarded Branch of the Year. We are very proud as a team for achieving this award this year and would like to thank all our customers, shareholders, board and community partners for their support.

During the year ended 30 June 2018 we had mixed results with deposits having negative growth of \$7m and whilst lending grew by \$11.42m. Last financial year we also saw growth in other product sales such as insurance, credit cards and wealth products, thus increasing our non-gap income. We had an increase in customer numbers by 2.8% in last financial year and products per customer increased by 6.7% in comparison to previous year. At end of financial year total footing grew to \$196.18m consisting total deposits at \$85.54m, total lending at \$97.6m and other business at \$13.046m. Overall footings grew by \$11.97m in last financial year.

This year is expected to be challenging with the tightening of lending policy and strong competition from other banks for deposits. The Team is however committed to working hard in this challenging market and continues to focus on quality business towards achieving our budget for current financial year. We are confident that our team is now well skilled and are more experienced to meet with challenges in the coming year.

The Team at Caulfield Park would personally like to thank Shareholders, board, state support and above all our customers for their continued support and we look forward to having another successful year for the branch and local community.

Best wishes,

Jignesh Jasani

Branch Manager Caulfield Park Bendigo Bank

Community Organisations Awarded Sponsorships & Grants This Year

1st Bentleigh Scout Group	Magen David Adom
Aliya Benevolent Society Inc	Mitzvah Day
Armadale Early Learning Centre	MS Australia
Bayside Polio Group	National Council of Jewish Women (Vic)
B'nai B'rith Anti-Defamation Commission	Oaktree Anglican Church
Camp Gan Welfare	Oz Shalom TV Inc
Carnegie South Cricket Club	Progress Pikinini
Carnegie United Cricket Club	Rosh Chodesh Women's Circle TM Inc
Caulfield Park Sports Club Inc	Rotary Glen Eira
Chabad Melbourne	Saint Catherine's Anglican Church
Edgars Mission Inc	Shelford Girls School
Fiji Book Drive	South Caulfield Hebrew Congregation
Gen2Gen	Spiritgrow
Hamayan Learning Institute	St Cecilia's Primary School
Highett West Cricket Club	St Joseph's Primary School Malvern
Hineni Youth & Welfare	The Pink Challah Bake
Impact for Women Inc	The Sephardi Association of Victoria Inc
Jewish Bereaved Parents' Inc	Twelve Batmi & Thirteen Barmi
Jewish Business Network	Tzofim Onot Scouts
Jewish Holocaust Centre	Unchain My Heart
Kildara Centre	Urban Lifesavers
Knit One Give One Ltd	Victorian State Emergency Service Malvern Unit
Le Page Cricket Club	Washington Park Cricket Club
Little Doers	Wings of Care
Little Dreamers	WIZO Victoria
Maccabi Athletic Club	Youth Reach
Maccabi Carnival	YOW Motorcycle Club
Mackie Cricket Club	

Caulfield Park Community Financial Services Limited

ABN: 42 106 397 504

Financial Statements
For the year ended
30 June 2018

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 2018.

Directors

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

Gary Arnold Hershan

Chair & Company Secretary

Occupation: Chartered Accountant

Qualifications, experience and expertise: Gary was a principal in Public Practice for over 45 years. Over this time 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. Qualifications include a Bachelor of Commerce (Hons) Melbourne and Chartered Accountant.

Special responsibilities: Chair and Company Secretary. Chair, Finance & Audit Committee, Grants & Community Engagement Committee.

Interest in shares: Nil Ordinary Shares



Kate Ashmor

Director

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.

Special Responsibilities: Member of Grants & Community Engagement Committee, and Finance & Audit Committee until 21 September 2018. Leave of absence from 21 September 2018.

Interests 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.

Holds a Bachelor of Economics. Fellow Justice of the Peace.

Special Responsibilities: Grants & Community Engagement Committee and Finance & Audit Committee.

Interests in shares: 4,000 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: Finance and Audit Committee

Interests in shares: Nil Ordinary Shares



Christopher David Gorrie

Director

Occupation: Junior Participation Specialist, Cricket Australia

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 an Executive 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



Harriet Jane Warlow-Shill

Director

Occupation: Lawyer

Qualifications, experience and expertise: Harriet has been a Lawyer for 17 years. She is a specialist in not-for-profit companies and has served on community boards for 20 years. Harriet is a director for Chabad Institution of Victoria Limited.

Special responsibilities: Marketing Committee, Co-Chair of Grants & Community Engagement Committee.

Interest in shares: Nil Ordinary Shares



Emma Kate Boyar

Director

Occupation: Next Generation Manager

Qualifications, experience and expertise: A passionate leader with extensive experience and strategic understanding of Philanthropy & successful millennial engagement. Emma is a Senior Consultant at Charity where she helps Not-for-Profits to grow their charitable income.

Special responsibilities: Co-Chair of Grants & Community Engagement Committee, Marketing Committee.

Interest in shares: Nil Ordinary Shares



Phillip George Knight

Director

Occupation: Senior Human Resources Manager

Qualifications, experience and expertise: Phillip is a Senior Human Resources Manager, Owner/Manager of Kelly Sports Burwood. He holds a Bachelor of Business Management and Grad. Dip. Business (Banking & Finance).

Special responsibilities: Finance & Audit Committee.

Interest in shares: Nil Ordinary Shares



Jeffrey Allan Kagan

Director

Occupation: Chief Executive Officer

Qualifications, experience and expertise: Jeffrey has worked in consulting and financial services businesses for over 25 years having held Executive and Senior Finance roles in leading strategic and operational change, driving business growth and operational efficiency. Jeffrey holds a Bachelor of Economics (Monash), is a Chartered Accountant and holds a Diploma in Applied Finance and Investment (FINSIA). Jeffrey has been involved in community youth and sporting groups in Executive roles for 30 years.

Special responsibilities: Finance & Audit Committee.

Interest in shares: Nil Ordinary Shares



Michael Lipshutz OAM

Director (*Appointed 19 February 2018*)

Occupation: Solicitor

Qualifications, experience and expertise: Michael has been a Solicitor since admission in 1975. His practice has involved commercial litigation, advising clients commercially, family law, conveyancing, mortgage finance and estate planning. He has been the President of the Jewish Community Council (2003-2005), Chairman of the Anti-Defamation Commission (2005-2007), President of Melbourne Jewish Radio and he was Councillor of the City of Glen Eira from 2005-2016 also acting as Deputy Mayor on one occasion. He was also contemporaneously with his Presidency of the Jewish Community Council and Vice President of the Executive Council of Australian Jewry. He was also a member of the then State Zionist Council and the Zionist Federation of Australia. He holds a degree of Bachelor of Laws from the University of Melbourne (1974) and was awarded an Order of Australia (OAM) in 2018.

Special responsibilities: Chair of Risk Committee

Interest in shares: Nil Ordinary Shares



Shmuel Goldberg

Director (*Appointed 19 February 2018*)

Occupation: Principal Consultant

Qualifications, experience and expertise: Shmuley is a Senior Manager at Pitcher Partners, where he advises clients on information management and business analytics. Prior to his current role, Shmuley held senior roles in corporate finance, strategy and development. Shmuley is an active volunteer and supporter of local community programs and previously served as a non-executive board member of a large local community and educational organisation. Shmuley holds an MBA, a Grad. Cert. in Informatics and various professional certifications.

Special responsibilities: Finance & Audit Committee

Interest 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 2018	Year ended 30 June 2017
\$	\$
44,682	51,728

Dividends

	Year ended 30 June 2018
	Cents
Dividends paid in the year	10

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 except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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:

	Directors' Meetings	
	Eligible	Attended
Gary Arnold Hershan	8	8
Kate Ashmor	8	8
Samuel Parasol OAM	8	5
David Keith Clarke	8	5
Christopher David Gorrie	8	5
Harriet Jane Warlow-Shill	8	5
Emma Kate Boyar	8	5
Philip George Knight	8	4
Jeff Allan Kagan	8	7
Michael Lipshutz OAM (<i>Appointed 19 February 2018</i>)	5	4
Shmuel Goldberg (<i>Appointed 19 February 2018</i>)	5	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 6.

Signed in accordance with a resolution of the board of directors at Caulfield Park, Victoria on 26 September 2018.



Gary Arnold Hershan, Chair



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2018



David Hutchings
Lead Auditor

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 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,057,684	1,016,359
Employee benefits expense		(453,432)	(443,138)
Charitable donations, sponsorship, advertising and promotion	5	(272,121)	(262,357)
Occupancy and associated costs		(133,815)	(118,389)
Systems costs		(19,797)	(19,388)
Depreciation and amortisation expense	6	(18,287)	(18,258)
General administration expenses		(98,224)	(83,480)
Profit before income tax expense		62,008	71,349
Income tax expense	7	(17,326)	(19,621)
Profit after income tax expense		44,682	51,728
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		44,682	51,728
Earnings per share		¢	¢
Basic earnings per share	23	6.08	7.04

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 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	653,600	731,122
Trade and other receivables	9	96,416	93,048
Current tax asset	12	1,364	13,724
Total current assets		751,380	837,894
Non-current assets			
Property, plant and equipment	10	77,219	68,264
Intangible assets	11	13,708	27,450
Deferred tax asset	12	10,697	14,536
Total non-current assets		101,624	110,250
Total assets		853,004	948,144
LIABILITIES			
Current liabilities			
Trade and other payables	13	33,588	103,467
Current tax liabilities	12	-	-
Provisions	14	42,524	32,172
Total current liabilities		76,112	135,639
Non-current liabilities			
Provisions	14	9,736	16,520
Total non-current liabilities		9,736	16,520
Total liabilities		85,848	152,159
Net assets		767,156	795,985
EQUITY			
Issued capital	15	545,255	545,255
Retained earnings	16	221,901	250,730
Total equity		767,156	795,985

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		545,255	235,757	781,012
Total comprehensive income for the year		-	51,728	51,728
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(36,755)	(36,755)
Balance at 30 June 2017		545,255	250,730	795,985
Balance at 1 July 2017		545,255	250,730	795,985
Total comprehensive income for the year		-	44,682	44,682
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(73,511)	(73,511)
Balance at 30 June 2018		545,255	221,901	767,156

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 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,123,660	1,079,775
Payments to suppliers and employees		(1,131,974)	(995,546)
Interest received		18,930	17,959
Income taxes paid		(1,127)	(48,378)
Net cash provided by operating activities	17	9,489	53,810
Cash flows from investing activities			
Payments for property, plant and equipment		(13,500)	(1,669)
Net cash used in investing activities		(13,500)	(1,669)
Cash flows from financing activities			
Dividends paid	21	(73,511)	(36,755)
Net cash used in financing activities		(73,511)	(36,755)
Net increase/(decrease) in cash held		(77,522)	15,386
Cash and cash equivalents at the beginning of the financial year		731,122	715,736
Cash and cash equivalents at the end of the financial year	8(a)	653,600	731,122

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies**a) Basis of preparation**

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

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

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)**a) Basis of preparation (continued)***Application of new and amended accounting standards (continued)*

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$90,915, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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 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).

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

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

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.

c) Income tax*Current tax*

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

Deferred tax

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

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

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

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

Caulfield Park Community Financial Services Limited

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Notes to the Financial Statements for the year ended 30 June 2018

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

c) Income tax (*continued*)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years
- 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.

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Notes to the Financial Statements for the year ended 30 June 2018

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

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

j) Borrowings

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

k) Financial instruments*Recognition and initial measurement*

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

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

Derecognition

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

*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) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

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

l) Leases

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

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

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Notes to the Financial Statements for the year ended 30 June 2018

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

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

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

n) Issued capital

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

o) Earnings per share

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

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.

Caulfield Park Community Financial Services Limited

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Notes to the Financial Statements for the year ended 30 June 2018

Note 2. Financial risk management (*continued*)

(iv) Liquidity risk

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%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward 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.

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Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements (continued)

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 loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	854,246	724,925
- services commissions	75,337	166,165
- fee income	48,491	47,330
- market development fund	10,000	11,250
Total revenue from operating activities	<u>988,074</u>	<u>949,670</u>
Non-operating activities:		
- interest received	18,930	17,959
- rental revenue	50,680	48,730
Total revenue from non-operating activities	<u>69,610</u>	<u>66,689</u>
Total revenues from ordinary activities	<u><u>1,057,684</u></u>	<u><u>1,016,359</u></u>

Note 5. Charitable donations, sponsorship, advertising and promotion

- direct donations, sponsorship, advertising and promotion payments during the year		96,121	82,357
- contribution into Community Enterprise Foundation	5a.	176,000	180,000
Total charitable donations, sponsorship, advertising and promotion		<u>272,121</u>	<u>262,357</u>

Note 5a Community Enterprise Foundation

During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2018 is as follows:

		2018	2017
		\$	\$
Opening balance		171,000	-
Contributions	5	160,000	180,000
Grants paid		-	-
Interest		3,185	-
Management fees		(8,000)	(9,000)
Balance available for distribution		<u><u>326,185</u></u>	<u><u>171,000</u></u>

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Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
Note 6. Expenses		
Depreciation of non-current assets:		
- plant and equipment	1,935	1,804
- leasehold improvements	1,517	1,217
- furniture and fittings	1,093	1,494
Amortisation of non-current assets:		
- franchise agreement	2,290	2,290
- franchise renewal fee	11,452	11,453
	18,287	18,258
Bad debts	405	551
Note 7. Income tax expense		
The components of tax expense comprise:		
- Current tax	13,487	25,270
- Movement in deferred tax	3,839	(5,649)
	17,326	19,621
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	62,008	71,349
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	17,052	19,621
Add tax effect of:		
- non-deductible expenses	274	-
- timing difference expenses	(3,839)	5,649
	13,487	25,270
Movement in deferred tax	3,839	(5,649)
	17,326	19,621
Note 8. Cash and cash equivalents		
Cash at bank and on hand	41,559	34,889
Term deposits	612,041	696,233
	653,600	731,122
Note 8. (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	41,559	34,889
Term deposits	612,041	696,233
	653,600	731,122

Caulfield Park Community Financial Services Limited

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Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
Note 9. Trade and other receivables		
Trade receivables	81,415	80,827
Prepayments	12,043	12,221
	<u>96,416</u>	<u>93,048</u>
Note 10. Property, plant and equipment		
Leasehold improvements		
At cost	62,198	48,698
Less accumulated depreciation	(17,342)	(15,825)
	<u>44,856</u>	<u>32,873</u>
Plant and equipment		
At cost	82,572	82,572
Less accumulated depreciation	(59,837)	(57,902)
	<u>22,735</u>	<u>24,670</u>
Furniture and fittings		
At cost	63,621	63,621
Less accumulated depreciation	(53,993)	(52,900)
	<u>9,628</u>	<u>10,721</u>
Total written down amount	<u>77,219</u>	<u>68,264</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	32,873	34,090
Additions	13,500	-
Disposals	-	-
Less: depreciation expense	(1,517)	(1,217)
Carrying amount at end	<u>44,856</u>	<u>32,873</u>
Plant and equipment		
Carrying amount at beginning	24,670	25,058
Additions	-	1,669
Disposals	-	-
Less: depreciation expense	(1,935)	(2,057)
Carrying amount at end	<u>22,735</u>	<u>24,670</u>
Furniture and fittings		
Carrying amount at beginning	10,721	11,962
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,093)	(1,241)
Carrying amount at end	<u>9,628</u>	<u>10,721</u>
Total written down amount	<u>77,219</u>	<u>68,264</u>

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Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
Note 11. Intangible assets		
Franchise fee		
At cost	32,930	32,930
Less: accumulated amortisation	(30,676)	(28,386)
	2,254	4,544
Establishment/renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(103,191)	(91,739)
	11,454	22,906
Total written down amount	13,708	27,450
Note 12. Tax		
Current:		
Income tax refundable	(1,364)	(13,724)
Non-Current:		
Deferred tax assets		
- accruals	770	1,146
- employee provisions	14,372	13,390
	15,142	14,536
Deferred tax liability		
- accruals	814	-
- property, plant and equipment	3,631	-
	4,445	-
Net deferred tax asset	10,697	14,536
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	3,839	3,621
Note 13. Trade and other payables		
Current:		
Trade creditors	1,512	12,098
Other creditors and accruals	32,076	91,369
	33,588	103,467
Note 14. Provisions		
Current:		
Provision for annual leave	26,814	32,172
Provision for long service leave	15,710	-
	42,524	32,172
Non-Current:		
Provision for long service leave	9,736	16,520
Note 15. Issued capital		
735,107 ordinary shares fully paid (2017: 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

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Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Issued capital (continued)

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 2018

	2018	2017
	\$	\$
Note 16. Retained earnings		
Balance at the beginning of the financial year	250,730	235,757
Net profit from ordinary activities after income tax	44,682	51,728
Dividends provided for or paid	(73,511)	(36,755)
Balance at the end of the financial year	<u>221,901</u>	<u>250,730</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	44,682	51,728
Non cash items:		
- depreciation	4,545	4,515
- amortisation	13,742	13,743
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,368)	(11,738)
- (increase)/decrease in other assets	16,199	(19,373)
- increase/(decrease) in payables	(69,879)	4,246
- increase/(decrease) in provisions	3,568	20,073
- increase/(decrease) in current tax liabilities	-	(9,384)
Net cash flows provided by operating activities	<u>9,489</u>	<u>53,810</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	90,915	87,840
- between 12 months and 5 years	-	87,840
	<u>90,915</u>	<u>175,680</u>

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 19. Auditor's remuneration

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

- audit and review services	4,400	4,200
- share registry services	6,487	3,268
- non audit services	2,160	1,805
	<u>13,047</u>	<u>9,273</u>

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Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Director and related party disclosures

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

Gary Arnold Hershan

Kate Ashmor

Samuel Parasol OAM

David Keith Clarke

Christopher David Gorrie

Harriet Jane Warlow-Shill

Emma Kate Boyar

Philip George Knight

Jeff Allan Kagan

Michael Lipshutz OAM (Appointed 19 February 2018)

Shmuel Goldberg (Appointed 19 February 2018)

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:

David Clarke is the owner of Snap Printing which provided art work production and printing services.

	2018	2017
	\$	\$
	5,598	6,370
Directors Shareholdings		
Gary Arnold Hershan	-	-
Kate Ashmor	-	-
Samuel Parasol OAM	4,000	4,000
David Keith Clarke	-	-
Christopher David Gorrie	-	-
Harriet Jane Warlow-Shill	-	-
Emma Kate Boyar	-	-
Philip George Knight	-	-
Jeff Allan Kagan	-	-
Michael Lipshutz OAM (Appointed 19 February 2018)	-	-
Shmuel Goldberg (Appointed 19 February 2018)	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends provided for or paid

a. Dividends paid during the year

Current year dividend

100% (2017: 100%) franked dividend - 10 cents (2017: 5 cents) per share

73,511

36,755

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
Note 21. Dividends provided for or paid (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the beginning of the financial year	136,219	101,783
- franking credits that will arise from payment of income tax during the financial year	15,210	60,891
- Franking debits from income tax refundable following lodgement of annual income tax returns	(14,084)	(12,513)
- Franking debits from the payment of fully franked dividends	(27,883)	(13,942)
- Franking account balance as at the end of the financial year	109,462	136,219
- Franking debits that will arise from income tax refundable as at the end of the financial year	(1,364)	(13,724)
Net franking credits available	108,098	122,495

Note 22. 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 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	44,682	51,728
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	735,107	735,107

Note 24. 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 25. 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 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in the Melbourne suburb of Caulfield Park, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. 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
Level 7, 616 St Kilda Road
Melbourne VIC 3004

Principal Place of Business
193 Balaclava Road
Caulfield North VIC 3161

Caulfield Park Community Financial Services Limited

ABN 42 106 397 504

Notes to the Financial Statements for the year ended 30 June 2018

Note 28. Financial instruments
Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Financial assets												
Cash and cash equivalents	41,559	34,889	612,041	696,233	-	-	-	-	-	-	2.35	2.21
Receivables	-	-	-	-	-	-	-	-	81,415	80,827	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	1,512	12,098	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	6,536	7,311
Decrease in interest rate by 1%	(6,536)	(7,311)
Change in equity		
Increase in interest rate by 1%	6,536	7,311
Decrease in interest rate by 1%	(6,536)	(7,311)

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 that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Gary Arnold Hershan, Chair

Signed on the 26th of September 2018.



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Caulfield Park Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 26 September 2018



David Hutchings
Lead Auditor

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[illegible]



Caulfield Park **Community Bank**® Branch

193 Balaclava Road, Caulfield North

Phone 9525 9899