Annual Report 2014

Calliope & District Enterprises Limited

ABN 71 133 571 061

Calliope & District **Community Bank**® Branch

Contents

Front cover Scholarship recipient Sarah Pincott.

Rear cover Scholarship recipient Tayla Hansen

Tayla Hansen and Sarah Pincott are the recipients of our inaugural Calliope & District Enterprises Limited scholarships. Each Gladstone Region recipient received a $5,000 scholarship to assist them with attendance at a tertiary institution, with a further $5,000 available upon successful completion of their first year. Applications for our 2015 scholarships will be available from 1 December this year, open to all Gladstone Regional students who qualify.

Chairman's report

For year ending 30 June 2014

Fellow valued shareholders,

I am pleased to present this report, the sixth Annual Report for the company, and the first with myself as Chairman.

This year has again been a successful year, with a profit of some $53,261. This was in line with forecast and expectations and was a remarkable achievement under the current economic circumstances. This result is due to the efforts of the branch staff, under the leadership of Manager John Wessling. The year saw some major staff changes, with the majority of previous staff relocating for various reasons. The new staff, Kimberley, Loren, Alana and Jaye have proven to be efficient, dedicated and above all, have the ultimate goal of providing superior customer service to our existing and potential clients. The Board continues to receive many compliments regarding the service provided by the staff and they are to be congratulated on their performance. Well done to John and his capable crew!

However, a profit is only one of the benchmarks of success. The Bunting Park project is now well and truly underway, albeit with not a lot to show on the ground. All materials have been ordered and the necessary permits and applications have been made and are in place. Physical works are soon to commence with a completion expected next financial year. The Board has continued with its Funding Program to assist local functions and events. Some of the recipients this year were:

- Calliope Rodeo & Ute muster
- Calliope Catwalk
- Mt Larcom Show Society
- Clinton Soccer Club
- Port Curtis District Bowls
- Calliope Central Bowls Club
- Calliope SES
- Calliope Junior Rugby League Club.

It is the intention of the Board to expand the Program and will continue to make the community aware that funding is available to conforming applicants.

The attached financial statements give a clear picture as to the performance of the company for the year. Revenue for the year was $1.025 million and the book value was $100.7 million as at 30 June 2014. The statements show the financial strength of the company which now has further opportunities to grow. The Board continues to explore means of expanding to other centres away from Calliope but still within the region. While no decisions have been made, the investigative results to date will form a valuable platform to evaluate opportunities as and when they become available.

The declared dividend for the financial year 2013/14 was 7 cents per share, fully franked. It is anticipated that a similar dividend will be declared for the current financial year. However, it should be noted that should prevailing conditions continue, as expected, this very high level of return may not continue for future dividends. The Board has recognised the faith placed in the company by the shareholders and has recognised this fact with two very good years for shareholder returns.

Chairman's report (continued)

As far as operations of the company are concerned, there has been significant change within the company itself. As indicated in the last report, long standing Director and Chair Jenny Bubke resigned at the Annual General Meeting. Also resigning were Maxine Brushe and Monica Redway. Prior to this, Leigh Zimmerlie also tendered her resignation and Glennis Henderson resigned in August and Frank McKee was elected as a new Director. I must say that the company would not be in the position it is in without the valued contribution of these Directors and I would like to thank them all on behalf of the shareholders for their sterling efforts. Another significant change was the employment of an Administrative Assistant, Teresa, who is proving to be a valuable asset to the company.

When accepting the challenge of the Chairman's position, I expressed the view that my intention was to have a year of consolidation and review. To this end, many policies and procedures have either been reviewed and/or amended, or in some cases, new policy formulated. Procedural matters have been formalised with new control measures implemented to ensure compliance with regulations and an openness and transparency. Whilst not yet complete, the company now operates on a more professional level, and it would be my intention to continue this process.

In closing, I would like to thank and congratulate my fellow Directors, staff and others involved for what has been a challenging and successful year. I am sure that the company is now well placed to continue to grow and prosper and to continue to be a valuable part of the local community.

Robbie Williams
Chairman

Manager's report

For year ending 30 June 2014

This year, the branch experienced a slow-down in growth due to customers disposing of property in a softening market. As a consequence, lending growth slowed and our return on margins came up short of expectations. Overall the branch grew its footings by $5.9 million to $100.7 million which I am comfortable with considering the amount of debt payback we experienced.

Some of our 2014 highlights are as follows:

- Income remained similar to that of the previous year, $1.026 million down from $1.028 million
- Charitable donations, sponsorship slightly down from $264,000 to $240,000
- Pre-tax profit of $82,400
- Net profit after tax $53,300
- Business growth of $5.9 million to $100.7 million.

Whilst our lending book grew by $4.87 million overall for the year, debt payback was consistent with loan funding up until the final couple of months when we started to creep ahead. This impacted heavily on our margin income as the lending book remained static for most of the year. The housing market is showing signs of recovering in the lower pricing categories ($275,000 - $350,000), steady in the middle range ($350,000 to $425,000) and little change after that.

In the coming year, we will be facing further challenges to our income with Bendigo and Adelaide Bank becoming proactive in the fixed rate home loan market. Margin income reduces by approximately 80% on these facilities and with the interest rates becoming more and more attractive, more and more customers are taking up the offer. Although I am expecting our lending book to continue growing, no increase in income has been budgeted due to the fact of the number of loans being fixed.

Deposit growth remained steady with an increase of $1.34 million. Although not substantial, this is a tough market with all institutions seeking their share and as such are pricing accordingly. Interest rates continue to spiral downwards on all deposits.

A question I often get asked is, "How does Bendigo and Adelaide Bank compare with the rates and products of other institutions?" Bendigo and Adelaide Bank offers a competitive range of rates and products for both deposits and lending. Bendigo and Adelaide Bank believes it is more important that our customers receive value for the purchase they are making rather than just on price alone. While other financial institutions commit to this strategy in some way, our point of difference is that we see working for the benefit of our customers and their communities not simply as a positive focus for our business activity but as our core business strategy. This is best translated through our unique **Community Bank**® model; the only model of its type in Australia.

In the past two years, this branch has given or allocated $504,000 towards charitable donations; local sponsorships and community projects. There is no reason to suggest that this won't continue now and long into the future.

These results would not be possible without the dedication and passion of my staff. I would sincerely like to thank Val, Kymberly, Loren, Jaye and Alana for their efforts and to our visiting specialist bankers, Trevor Robertson (Business Banking); Glenn Henricksen (Agribusiness) and David Telford (Financial Planning and Wealth).

Manager's report (continued)

I would also like to thank the Board of Directors for their commitment and support during the year. It has been a pleasure to work with them both from a business and community perspective.

John Wessling
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Robin Gerard Williams
Chairman
Self Employed
Was a manager at Gladstone Marina, has a Master of Business Administration from C.Q University, and is currently self employed.
Committees: Finance and Business Development
Interest in shares: 5,000

Mark Matthew Larney
Treasurer
Local Government Manager
MBA Bachelor of Business (Accounting, Banking & Finance). 20 years management experience for local Government, actively involved in a number of community groups and has completed a company Director diploma course.
Committees: Business Development (chair) and Finance.
Interest in shares: 12,001

John Charles Williams
Director
Primary Producer
John was educated at Sydney Grammar School and in 1956 went on to be gainfully employed in various roles in the rural industry. In 1964 John was employed as a Branch Manager and Stock and Station Agent in Hamilton, Victoria; Theodore, Queensland; Winton, Victoria and Taroom, Queensland. In 1973 John started his own cattle business company of which he is still the Managing Director. John has had considerable involvement with the Lions Club Organisation and Chartered his present Lions Club, the Lions Club of Boyne Valley and has been a member of the Steering Committee since it was formed.
Committees: Business Development and Finance.
Interest in shares: 9,001

Craig Wells Butler
Director
Self Employed
Surveyor with extensive experience in land development, construction and mining. Former Councillor with Gladstone Regional Council, has had wide experience with community groups at committee and executive level, has tertiary qualification in surveying and holder of Open Class certificate in Mine Surveying. Former part owner and operator of small business.
Committees: Corporate Governance, Finance and Business Development.
Interest in shares: 8,001

Directors (continued)

Amanda Jane Gibbs
Director
Self Employed - Landscape Materials
Amanda and her husband have owned and operated a landscaping and machinery hire business in Calliope for the past 18 years after previously owning and operating a car yard in Gladstone. Amanda has a finance industry background and is currently a Justice of the Peace.
Committees: Sponsorship, Business Operations, Business Development and Finance
Interest in shares: 1,501

Martha Jo Hill
Director
Grazier
Registered nurse, manager grazing/stud enterprise, Bachelor of Arts/Nursing. Secretary/Treasurer Calliope Rural Fire Brigade, manager beef section Mt Larcom & District Show Society.
Committees: Sponsorship.
Interest in shares: 3,000

Francis James McKee
Director (Appointed 4 August 2014)
Interest in shares: Nil

Glennis Henderson
Director (Resigned 4 August 2014)
Office Administrator
Commissioner for Declarations, Payroll Administrator, Office Administrator and Active Member of Calliope SES
Committees: Sponsorship (chair), Finance and Business Development.
Interest in shares: 1,001

Monica Ellen Redway
Director (Resigned 12 November 2013)
Home Duties
Monica was born and educated in Goondiwindi on the Qld/NSW border. After leaving school, Monica completed a Bachelor of Arts, Diploma in Education and a Diploma of Office Management at the University of New England in Armidale. Monica held the position of Executive Secretary to the State Manager in a shipping company until the first of her children were born. The family relocated to Calliope in November 2004 and Monica is now focused on her passion of acquiring knowledge in share market investment and strategy.
Committees: Finance, Business Development and HR
Interest in shares: 6,501

Maxine Marie Brushe
Director (Resigned 12 November 2013)
Local Government Councillor
Local Government elected Councillor for 19 years; Public Servant 10 years; Small business partner 14 years; Extensive community organisation involvement including Board Secretary & Director Bindaree Lodge Management Board Inc. 15 years, Chair, Deputy Chair and Director Gladstone Area Promotion and Development Ltd 19 years, President, Vice President Boyne Tannum Arts Business Community Assoc Inc, Chair Gladstone Communities for Children, Member Tanyalla Conference Centre Board, Rio Tinto Alcan Community Fund Board Member, Patron Boyne Tannum Swim Club.
Committees: Corporate Governance and Business Development.
Interest in shares: 2,501

Directors (continued)

Jennifer Bubke
Director (Resigned 12 November 2013)
Home Duties
Jenny worked in administration for 3 years in W.A. after completing a 12 month scholarship business course. Jenny and her family relocated to Queensland in 1983, where as the mother of two children, became involved in the Pre-School, School Canteen, Junior sport, Brownies and was the President of the Yaralla Softball for 1 year. Jenny has worked for 9 years with Qld Health as a home carer and as a shop assistant at a mixed business store in Calliope. Jenny is a member of AIM Qld & NT (Australian Institute of Management). Jenny has been on the **Community Bank**® Steering Committee since its inception and has been the Chairman from July 2006 to resignation date.
Committees: Sponsorship, Business Operations, Corporate Governance, Finance and Business Development.
Interest in shares: 19,039

Leslie Leigh Zimmerlie
Director (Resigned 5 August 2013)
HR Manager
Prior to working at Gladstone Area Group Apprentices, was employed for 10 years by The Rock Building Society, the last four in the role of Retail Banking Executive. Her retail spread covered Cairns to the Gold Coast. This role entailed sitting on the Executive Committee reporting directly to the managing director. Started her banking career as a Teller, then worked for Suncorp Metway in the role of Branch Manager/Lender.
Interest in shares: Nil

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 Martha Jo Hill. Jo was appointed to the position of secretary on 12 November 2013.

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 2014 $	Year ended 30 June 2013 $
53,262	72,430

Remuneration report

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robin Gerard Willaims	-	5,000	5,000
Mark Matthew Larney	6,001	6,000	12,001
Martha Jo Hill	2,000	1,000	3,000
John Charles Williams	9,001	-	9,001
Craig Wells Butler	8,001		8,001
Amanda Jane Gibbs	501	1,000	1,501
Francis James McKee (Appointed 4 August 2014)	1,000	-	1,000
Glennis Henderson (Resigned 4 August 2014)	1,001	-	1,001
Monica Ellen Redway (Resigned 12 November 2013)	10,001	(3,500)	6,501
Maxine Marie Brushe (Resigned 12 November 2013)	2,501	-	2,501
Jennifer Bubke (Resigned 12 November 2013)	13,538	5,501	19,039
Leslie Leigh Zimmerlie (Resigned 5 August 2013)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	$
Dividends paid in the year	7	60,200

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	**Attended**
Robin Gerard Willaims	12	12
Mark Matthew Larney	12	12
Martha Jo Hill	12	11
John Charles Williams	12	12
Craig Wells Butler	12	10
Amanda Jane Gibbs	12	11
Francis James McKee (Appointed 4 August 2014)	-	-
Glennis Henderson (Resigned 4 August 2014)	12	8
Monica Ellen Redway (Resigned 12 November 2013)	5	5
Maxine Marie Brushe (Resigned 12 November 2013)	5	5
Jennifer Bubke (Resigned 12 November 2013)	5	5
Leslie Leigh Zimmerlie (Resigned 5 August 2013)	2	2

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.

Non audit services (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Calliope, Queensland on 19 September 2014.

Robin Gerard Williams,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Calliope & District Enterprises Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 19 September 2014

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

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Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	1,025,635	1,028,115
Employee benefits expense		(390,442)	(416,046)
Charitable donations, sponsorship, advertising and promotion		(239,650)	(263,737)
Occupancy and associated costs		(59,765)	(55,438)
Systems costs		(22,503)	(22,815)
Depreciation and amortisation expense	5	(36,437)	(42,093)
General administration expenses		(194,464)	(117,129)
Profit before income tax expense		**82,374**	**110,857**
Income tax expense	6	(29,112)	(38,427)
Profit after income tax expense		**53,262**	**72,430**
Total comprehensive income for the year		**53,262**	**72,430**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	20	6.19	8.42

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	533,234	524,056
Trade and other receivables	8	62,931	76,251
Current tax asset	11	-	1,814
Total Current Assets		**596,165**	**602,121**
Non-Current Assets			
Property, plant and equipment	9	143,658	159,382
Intangible assets	10	89,878	40,411
Total Non-Current Assets		**233,536**	**199,793**
Total Assets		**829,701**	**801,914**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	7,684	8,100
Current tax liabilities	11	8,466	-
Total Current Liabilities		**16,150**	**8,100**
Non-Current Liabilities			
Deferred tax liabilities	11	1,593	1,593
Total Non-Current Liabilities		**1,593**	**1,593**
Total Liabilities		**17,743**	**9,693**
Net Assets		**811,958**	**792,221**
Equity			
Issued capital	13	832,020	805,345
Accumulated losses	14	(20,062)	(13,124)
Total Equity		**811,958**	**792,221**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**832,020**	**(25,354)**	**806,666**
Total comprehensive income for the year	**-**	**72,430**	**72,430**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(26,675)	-	(26,675)
Dividends provided for or paid	-	(60,200)	(60,200)
Balance at 30 June 2013	**805,345**	**(13,124)**	**792,221**
Balance at 1 July 2013	**805,345**	**(13,124)**	**792,221**
Total comprehensive income for the year	**-**	**53,262**	**53,262**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	26,675	-	26,675
Dividends provided for or paid	-	(60,200)	(60,200)
Balance at 30 June 2014	**832,020**	**(20,062)**	**811,958**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,123,566	1,072,639
Payments to suppliers and employees		(983,667)	(972,107)
Interest received		18,491	22,026
Income taxes paid		(18,832)	(31,871)
Net cash provided by operating activities	**15**	**139,558**	**90,687**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,466)	(5,625)
Payments for intangible assets		(68,714)	-
Net cash used in investing activities		**(70,180)**	**(5,625)**
Cash flows from financing activities			
Proceeds from borrowings			
Payments for equity raising costs		-	(26,675)
Dividends paid		(60,200)	(60,200)
Net cash used in financing activities		**(60,200)**	**(86,875)**
Net increase/(decrease) in cash held		**9,178**	**(1,813)**
Cash and cash equivalents at the beginning of the financial year		524,056	525,869
Cash and cash equivalents at the end of the financial year	**7(a)**	**533,234**	**524,056**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

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 Calliope, Queensland.

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.

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:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- 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

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of significant accounting policies (continued)

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 comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

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.

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 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 comprehensive income.

Note 1. Summary of significant accounting policies (continued)

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.

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 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 2014 can be seen in the statement of 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 comprehensive income.

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	1,007,144	1,006,616
Total revenue from operating activities	**1,007,144**	**1,006,616**
Non-operating activities:		
- interest received	18,491	21,499
Total revenue from non-operating activities	**18,491**	**21,499**
Total revenues from ordinary activities	**1,025,635**	**1,028,115**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	7,174	7,656
- leasehold improvements	10,016	12,437

	Note	2014 $	2013 $
Note 5. Expenses (continued)			
Amortisation of non-current assets:			
- franchise agreement		2,097	2,000
- establishment fee		2,484	-
- franchise renewal fee		14,666	20,000
		36,437	**42,093**
Bad debts		**361**	**163**
Loss on disposal of asset		**2,180**	**-**

Note 6. Income tax expense

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		29,112	30,057
- Movement in deferred tax		-	(158)
- Recoupment of prior year tax losses		-	8,528
		29,112	**38,427**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		82,374	110,857
Prima facie tax on profit from ordinary activities at 30%		24,712	33,257
Add tax effect of:			
- non-deductible expenses		4,400	6,849
- timing difference expenses		-	158
- other deductible expenses		-	(1,679)
		29,112	**38,585**
Movement in deferred tax	11	-	(158)
		29,112	**38,427**

Note 7. Cash and cash equivalents

	Note	2014 $	2013 $
Cash at bank and on hand		96,144	103,278
Term deposits		437,090	420,778
		533,234	**524,056**

	2014 $	2013 $

Note 7. Cash and cash equivalents (continued)

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:

	2014 $	2013 $
Cash at bank and on hand	96,144	103,278
Term deposits	437,090	420,778
	533,234	**524,056**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	43,809	52,245
Other receivables and accruals	14,088	19,057
Prepayments	5,034	4,949
	62,931	**76,251**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	78,118	79,258
Less accumulated depreciation	(42,966)	(38,398)
	35,152	**40,860**
Leasehold improvements		
At cost	173,806	173,806
Less accumulated depreciation	(65,300)	(55,284)
	108,506	**118,522**
Total written down amount	**143,658**	**159,382**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	40,860	42,891
Additions	5,009	5,625
Disposals	(3,543)	-
Less: depreciation expense	(7,174)	(7,656)
Carrying amount at end	**35,152**	**40,860**

Notes to the financial statements (continued)

	2014 $	2013 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	118,522	130,959
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,016)	(12,437)
Carrying amount at end	**108,506**	**118,522**
Total written down amount	**143,658**	**159,382**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	21,453	10,000
Less: accumulated amortisation	(10,763)	(8,667)
	10,690	**1,333**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(86,667)
	-	**13,333**
Renewal processing fee		
At cost	57,260	-
Less: accumulated amortisation	(3,817)	-
	53,443	**-**
Redomicle Fee		
At cost	**25,745**	**25,745**
Total written down amount	**89,878**	**40,411**

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	**8,466**	**(1,814)**

Notes to the financial statements (continued)

	2014 $	2013 $
Note 11. Tax (continued)		
Non-Current:		
Deferred tax liability		
- accruals	(1,593)	(1,593)
	(1,593)	**(1,593)**
Net deferred tax liability	**1,593**	**1,593**
Movement in deferred tax charged to statement of comprehensive income	**-**	**158**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	5,234	5,052
Other creditors and accruals	2,450	3,048
	7,684	**8,100**

Note 13. Contributed equity

	2014 $	2013 $
860,000 ordinary shares fully paid (2013: 860,000)	860,000	860,000
Less: equity raising expenses	(27,980)	(54,655)
	832,020	**805,345**

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).

Note 13. Contributed equity (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 204. As at the date of this report, the company had 278 shareholders.

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

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.

	2014 **$**	**2013** **$**

Note 14. Accumulated losses

Balance at the beginning of the financial year	(13,124)	(25,354)
Net profit from ordinary activities after income tax	53,262	72,430
Dividends paid or provided for	(60,200)	(60,200)
Balance at the end of the financial year	**(20,062)**	**(13,124)**

	2014 $	2013 $

Note 15. 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	53,262	72,430
Non cash items:		
- depreciation	17,190	20,093
- amortisation	19,247	22,000
- Write off of equity raising costs	26,675	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	13,320	(30,189)
- decrease in other assets	-	6,556
- decrease in payables	(416)	(203)
- increase in current tax liabilities	10,280	-
Net cash flows provided by operating activities	**139,558**	**90,687**

Note 16. 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	42,724	36,202
- between 12 months and 5 years	117,491	135,759
- greater than 5 years	-	-
	160,215	**171,961**

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease has one 5-year extension option remaining.

Note 17. Auditor's remuneration

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

- audit and review services	3,850	3,850
- share registry services	2,379	2,941
- non audit services	2,123	3,691
	8,352	**10,482**

Notes to the financial statements (continued)

Note 18. Director and related party 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.

	2014 $	2013 $
Note 19. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% Franked dividend - 7 cents (2013: Unfranked 7 cents) per share	**60,200**	**60,200**
The tax rate at which dividends have been franked is 30% (2013: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	24,903	31,871
- franking credits that will arise from payment of income tax payable as at the end of the financial year	8,466	(1,814)
- 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:	**33,369**	**30,057**
- 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	**33,369**	**30,057**

Note 20. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	53,262	72,430
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	860,000	860,000

Note 21. 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 22. 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 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Calliope, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. 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
Shop 3/2041 Dawson Highway Calliope QLD 4680	Shop 3/2041 Dawson Highway Calliope QLD 4680

Note 25. 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					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	96,144	103,278	437,090	420,778	-	-	-	-	-	-	4.51	5.2
Receivables	-	-	-	-	-	-	-	-	62,931	76,251	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	7,684	8,100	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.

Note 25. Financial instruments (continued)

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 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	961	1,033
Decrease in interest rate by 1%	961	1,033
Change in equity		
Increase in interest rate by 1%	961	1,033
Decrease in interest rate by 1%	961	1,033

Directors' declaration

In accordance with a resolution of the directors of Calliope & District Enterprises 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 2014 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.

Robin Gerard Williams,
Chairman

Signed on the 19th of September 2014.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Calliope & District Enterprises Limited

Report on the financial report

I have audited the accompanying financial report of Calliope & District Enterprises Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement 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 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 the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I 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 my 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, I consider internal controls relevant to the entity's preparation and 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.

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

I 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 my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I 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 my opinion:

1. The financial report of Calliope & District Enterprises 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 2014 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.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Calliope & District Enterprises Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 19 September 2014

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