



Annual Report 2015

Calliope & District
Enterprises Limited

ABN 71 133 571 061

Calliope & District **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2015

My fellow shareholders,

I am pleased to present this report, the seventh Annual Report for Calliope & District Enterprises Limited (CDEL).

This year has again been a success with a reported profit of \$41,953. This was in line with budget forecasts and expectations and was a solid achievement in the current economic circumstances. The result is again due to the efforts of the branch staff under the leadership of our Manager, John Wessling. The staff have now all settled in and are performing to our very high standards, with the level of customer satisfaction again being exemplary. As with past years, the Board continues to receive many compliments regarding the staff/customer interaction and the team is to be congratulated. Well done to John and the team.

Our Funding Program has again been very successful. Our first major project, the Bunting Park redevelopment has been opened and has proven to be a huge success both in presentation and public patronage.

Another major project was the grant given (some \$56,000) to the CWA for a refurbishment of the kitchen and associated facilities. This has also been officially opened and has proven again to be very successful for both the organisation and the Calliope community.

CDEL has also confirmed its commitment of \$50,000 to assist with upgrading of communication facilities for the Boyne Valley. It is anticipated that this project will be near the top of the list for completion with a commencement date due to be released in the near future.

Another major commitment is the conditional approval to assist for Federal funding for a Driver Education Centre to be located at Benaraby. The application is to receive consideration with an announcement due in November 2015.

While these have been the major funding approvals, the Board has continued to assist local functions and events with some of the recipients' being:

- Calliope State School P & C
- Calliope Rural Fire Brigade
- Nagoorin Primary P & C
- Calliope Junior Rugby League
- The Calliope Breakfast Club
- Mt Larcom Show Society
- Gladstone Country Music Club
- Boyne Valley Community Discovery Centre Inc.

It is the intention of the Board to continue to provide funding to as many applicants that it is able to assist.

However, with the number of applications being processed and with limited funds available it may be that a more rigorous procedure be put in place to insure that fair and equitable distribution of funding is achieved.

The attached financial statements give a clear picture as to the performance of CDEL for the year. Revenue for the year was \$983,000 and the book value was \$109.1 million as at 30 June 2015. The statements show the financial strength of CDEL. It should be noted that current market conditions have had an impact on profit and that revenue/\$ million has declined for the year. The Board continue to explore avenues for expansion but has taken the position of hastening slowly to ensure that any expansion is sustainable and ultimately worthwhile to CDEL.

Chairman's report (continued)

The declared dividend from the financial year 2014/15 has been set at 5 cents per share, fully franked. As noted in last year's report this is down somewhat on previous years but is in line with the forecasts and expectations. It is the Board's intention to continue to provide the best dividend possible for the shareholders, many of whom have been with CDEL since its inception.

As far as the operations of the CDEL are concerned, there have been some changes with the structure. The Administrative Assistant (Teresa Zimmerman) was engaged as an employee of the CDEL, rather than on a contractual basis. This has greatly improved the operations of CDEL and has assisted the Executive immensely.

There has been no change in Board membership with a compliment of seven Directors still on the Board. However, it is imperative that new Directors are engaged to increase the views and opinions that truly represent the community and I ask again for anyone who has a remote interest to contact the Directors and become a valued part of CDEL.

CDEL has continued to improve its policies and procedures and continues to operate in a professional manner, and will continue to strive to achieve best practice in difficult times.

I would be remiss if I did not mention the future for CDEL both in the short term and the longer view. Calliope and district has certainly come down from the heady days of industrial expansion and the "gas boom". Trading conditions are getting tighter and it appears that the Branch has to 'do more' to stay the same. Also, the announcement by Bendigo Bank of its review of the profit sharing arrangements (Restore the Balance) will have an effect on CDEL. While not immediate, the impact of Funds Transfer Pricing (FTP) will be significant on both CDEL and its profits. You can be assured that the Board is investigating all options to mitigate these effects.

I would like to thank and congratulate my fellow Board members, staff of the branch, our own staff and others involved for what has been a successful year, albeit a challenging one. The CDEL is 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 2015

Six years on!

What a change there has been in the world of finance in that time both globally and at home. In 2009 when the branch opened, the GFC had been around for just on six months and shareholders, Directors, Bendigo Bank and the general community were asking themselves if the right decision had been made to open the doors. Well to the astonishment of all, it not only took off but continued to exceed expectations for the next four years and although the last two years have seen decelerated growth, our footings have grown to \$109.1 million, an 8% increase on last year's result.

Over the past two years, financial institutions have had to contend with many influences such as the Financial Services Inquiry, lower interest rate margins and on a local level, the slowdown of business in the region due to the LNG construction coming to an end. Future unemployment certainty has created a "debt pay-down" mentality which has put borrower's loans well in advance and given them a safety net in case of long-term unemployment.

Summary of our 2014/15 financial position is as follows:

- Decrease in income from \$1.026 million to \$999,000
- Charitable donations, sponsorship down from \$240,000 to \$210,000
- Pre-tax profit of \$60,600
- Net profit after tax \$42,000
- Business growth of \$8.4 million to \$109.1 million.

Since July 2013 our footings have grown from \$100.7 million to \$109.1 million but our income has dropped from \$1.028 million to \$999,000. Borrowers have taken advantage of the lower fixed rates for their home loans with rates dropping by up to 1% over that time. It is expected that while our footings will continue to grow over the next 12 months, income will remain the same with expenses projected to be slightly lower than this year.

Our contribution towards community projects and sponsorships was down \$30,000 on the previous year however over the last three years we have funded, allocated or set aside \$714,000 which is strong testament to the support we receive from you, our customers.

In the past 12 months, we contributed \$50,000 towards the recreational facility area at Bunting Park; provided \$50,000 to the CWA for renovations to their building; purchased \$15,000 of shade cover for Builyan State School; sponsored the Calliope Senior and Junior Rugby League; Soccer; Golf; Rodeo; Campdraft; Mt Larcom Show and various other Association's in the area. The \$50,000 commitment towards the communications tower in the Boyne Valley had a major influence in the Federal Government's decision to approve funding from their Black Spot Program to improve mobile phone coverage in the area. The Board has also committed \$250,000 over five years to construct a driver education centre at Benaraby Motorsport Complex subject to the necessary approvals being obtained and fellow stakeholders meeting their obligations. Your continued support allows us to help local bodies achieve their objectives and provide the community with a better place to live in.

I would like to thank the Board of Directors for their commitment and support during the year as well as my staff of Val, Kymberly, Loren, Tash and Liz, not only for their efforts in the branch but for the work they also do in the community. They are an awesome bunch to deal with so if you are yet to experience this, please call into the branch and have a chat. You won't be disappointed! The branch received three 'Branch of the Month Awards' during the year and was the second best performing branch in the Central Queensland region.



John Wessling
Branch Manager

Directors' report

For the financial year ended 30 June 2015

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

Directors

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

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. Treasurer and President of Calliope Central Bowls Club, Secretary of the Port Curtis District Men's Bowls Association and Treasurer of the Calliope Rotary Club.

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' report (continued)

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 for 36 years, 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: 2,000

Francis James McKee

Director (Appointed 4 August 2014)

Occupation:

Qualifications, experience and expertise: Semi-retired Grazier and Mechanic living in Builyan, Boyle Valley. Has operated mechanical repair business in Builyan for 28 years after working as a mechanic for Summers and Zwisler for 17 years. Francis is now a silent partner in the family property as his eldest son and his family are running the Nagoorin property of Lisbon Farm. President of local Builyan Many Peaks Community Development Association. Francis is also involved in the Rural Fire Service, local tourism efforts via the Boyne Valley Community Discovery Centre. Other committees include motoring groups, sporting, school, pre-school, play-group and School Bus.

Special responsibilities: Nil

Interest in shares: 1,000

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

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.

Directors' report (continued)

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 2015 \$	Year ended 30 June 2014 \$
41,953	53,262

Remuneration report

Directors' remuneration

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

There are not executives within the company whose remuneration is required to be disclosed.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Robin Gerard Williams	5,000	-	5,000
Mark Matthew Larney	12,001	-	12,001
John Charles Williams	9,001	-	9,001
Craig Wells Butler	8,001	-	8,001
Amanda Jane Gibbs	1,501	-	1,501
Martha Jo Hill	3,000	-	2,000
Francis James McKee (Appointed 4 August 2014)	1,000	-	1,000
Glennis Henderson (Resigned 4 August 2014)	-	-	-

Dividends

	Year ended 30 June 2015	
	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.

Directors' report (continued)

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	
	Eligible	Attended
Robin Gerard Williams	11	11
Mark Matthew Larney	11	9
John Charles Williams	11	10
Craig Wells Butler	11	9
Amanda Jane Gibbs	11	9
Martha Jo Hill	11	10
Francis James McKee (Appointed 4 August 2014)	10	10
Glenn Henderson (Resigned 4 August 2014)	1	-

Proceedings on behalf of the company

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

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

Directors' report (continued)

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Calliope, Queensland on 14 September 2015.



Robin Gerard Williams,
Chairman

Auditor's independence declaration



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

As lead auditor for the audit of Calliope & District Enterprises Limited for the year ended 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 14 September 2015

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

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

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	999,047	1,025,635
Employee benefits expense		(458,634)	(390,442)
Charitable donations, sponsorship, advertising and promotion		(209,912)	(239,650)
Occupancy and associated costs		(60,859)	(59,765)
Systems costs		(22,436)	(22,503)
Depreciation and amortisation expense	5	(30,601)	(36,437)
General administration expenses		(155,982)	(194,464)
Profit before income tax expense		60,623	82,374
Income tax expense	6	(18,670)	(29,112)
Profit after income tax expense		41,953	53,262
Total comprehensive income for the year		41,953	53,262
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	20	4.88	6.19

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	537,313	533,234
Trade and other receivables	8	58,143	62,931
Current tax asset	11	3,224	-
Total Current Assets		598,680	596,165
Non-Current Assets			
Property, plant and equipment	9	128,291	143,658
Intangible assets	10	76,136	89,878
Total Non-Current Assets		204,427	233,536
Total Assets		803,107	829,701
LIABILITIES			
Current Liabilities			
Trade and other payables	12	8,615	7,684
Current tax liabilities	11	-	8,466
Total Current Liabilities		8,615	16,150
Non-Current Liabilities			
Deferred tax liabilities	11	781	1,593
Total Non-Current Liabilities		781	1,593
Total Liabilities		9,396	17,743
Net Assets		793,711	811,958
Equity			
Issued capital	13	832,020	832,020
Accumulated losses	14	(38,309)	(20,062)
Total Equity		793,711	811,958

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Accumulated losses \$	Total equity \$
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
Balance at 1 July 2014	832,020	(20,062)	811,958
Total comprehensive income for the year	-	41,953	41,953
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(60,200)	(60,200)
Balance at 30 June 2015	832,020	(38,309)	793,711

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		1,080,752	1,123,566
Payments to suppliers and employees		(999,877)	(983,667)
Interest received		15,613	18,491
Income taxes paid		(31,172)	(18,832)
Net cash provided by operating activities	15	65,316	139,558
Cash flows from investing activities			
Payments for property, plant and equipment		(1,037)	(1,466)
Payments for intangible assets		-	(68,714)
Net cash provided by/(used in) investing activities		(1,037)	(70,180)
Cash flows from financing activities			
Dividends paid		(60,200)	(60,200)
Net cash provided by/(used in) financing activities		(60,200)	(60,200)
Net increase in cash held		4,079	9,178
Cash and cash equivalents at the beginning of the financial year		533,234	524,056
Cash and cash equivalents at the end of the financial year	7(a)	537,313	533,234

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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 in relation to:

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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	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.

Notes to the financial statements (continued)

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.

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

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.

Notes to the financial statements (continued)

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%.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

	2015 \$	2014 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	983,100	1,007,144
Total revenue from operating activities	983,100	1,007,144

Non-operating activities:

- interest received	15,492	18,491
- interest received	455	-
Total revenue from non-operating activities	15,947	18,491
Total revenues from ordinary activities	999,047	1,025,635

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	6,843	7,174
- leasehold improvements	10,016	10,016

Amortisation of non-current assets:

- franchise agreement	2,290	2,097
- establishment fee	-	13,333
- franchise renewal fee	11,452	3,817
	30,601	36,437

Bad debts	721	361
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Loss on disposal of asset	-	2,180
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	19,482	29,112
- Movement in deferred tax	(771)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	(41)	-
	18,670	29,112

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

Operating profit	60,623	82,374
Prima facie tax on profit from ordinary activities at 30%	18,187	24,712

Add tax effect of:

- non-deductible expenses	524	4,400
- timing difference expenses	771	-
	19,482	29,112

Movement in deferred tax	(771)	-
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Adjustment to deferred tax to reflect change of tax rate in future periods	(41)	-
	18,670	29,112

Note 7. Cash and cash equivalents

Cash at bank and on hand	85,864	96,144
Term deposits	451,449	437,090
	537,313	533,234

Notes to the financial statements (continued)

	2015 \$	2014 \$
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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:

Cash at bank and on hand	85,864	96,144
Term deposits	451,449	437,090
	537,313	533,234

Note 8. Trade and other receivables

Trade receivables	44,014	43,809
Prepayments	5,283	5,034
Other receivables and accruals	8,846	14,088
	58,143	62,931

Note 9. Property, plant and equipment

Leasehold improvements

At cost	173,806	173,806
Less accumulated depreciation	(75,316)	(65,300)
	98,490	108,506

Plant and equipment

At cost	71,257	78,118
Less accumulated depreciation	(41,456)	(42,966)
	29,801	35,152

Total written down amount	128,291	143,658
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Movements in carrying amounts:

Leasehold improvements

Carrying amount at beginning	108,506	118,522
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,016)	(10,016)
Carrying amount at end	98,490	108,506

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	35,152	40,860
Additions	1,727	5,009
Disposals	(235)	(3,543)
Less: depreciation expense	(6,843)	(7,174)
Carrying amount at end	29,801	35,152
Total written down amount	128,291	143,658

Note 10. Intangible assets

Franchise fee		
At cost	21,453	21,453
Less: accumulated amortisation	(13,053)	(10,763)
	8,400	10,690
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Renewal processing fee		
At cost	57,260	57,260
Less: accumulated amortisation	(15,269)	(3,817)
	41,991	53,443
Redomicile fee		
At cost	25,745	25,745
	25,745	25,745
Total written down amount	76,136	89,878

Note 11. Tax

Current:

Income tax payable/(refundable)	(3,224)	8,466
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Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 11. Tax (continued)		
Non-Current:		
Deferred tax assets		
- accruals	698	-
	698	-
Deferred tax liability		
- accruals	1,479	(1,593)
	1,479	(1,593)
Net deferred tax liability	(781)	(1,593)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(812)	158

Note 12. Trade and other payables

Current:

Trade creditors	4,508	5,234
Other creditors and accruals	4,107	2,450
	8,615	7,684

Note 13. Contributed equity

860,000 ordinary shares fully paid (2014: 860,000)	860,000	860,000
Less: equity raising expenses	(27,980)	(27,980)
	832,020	832,020

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.

Notes to the financial statements (continued)

Note 13. Contributed equity (continued)

Rights attached to shares (continued)

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

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.

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(20,062)	(13,124)
Net profit from ordinary activities after income tax	41,953	53,262
Dividends paid or provided for	(60,200)	(60,200)
Balance at the end of the financial year	(38,309)	(20,062)

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	41,953	53,262
Non cash items:		
- depreciation	16,859	17,190
- amortisation	13,742	19,247
- write off of equity raising costs	-	26,675
- profit on sale of assets	(455)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,788	13,320
- (increase)/decrease in other assets	(3,224)	-
- increase/(decrease) in payables	931	(416)
- increase/(decrease) in current tax liabilities	(9,278)	10,280
Net cash flows provided by operating activities	65,316	139,558

Note 16. Leases

Operating lease commitments

Payable - minimum lease payments:

- not later than 12 months	44,930	42,724
- between 12 months and 5 years	78,628	117,491
- greater than 5 years	-	-
	123,558	160,215

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.

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 17. Auditor's remuneration

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

- audit and review services	3,950	3,850
- share registry services	4,631	2,379
- non audit services	4,097	2,123
	12,678	8,352

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 not executives within the company whose remuneration is required to be disclosed.

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

	2015 \$	2014 \$
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Note 19. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2014: 100%) franked dividend - 7 cents (2014: 7 cents) per share	60,200	60,200
The tax rate at which dividends have been franked is 30% (2014: 30%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	30,275	24,903
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(3,224)	8,466
- 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:	27,051	33,369
- 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	27,051	33,369

Notes to the financial statements (continued)

Note 20. Earnings per share

		2015 \$	2014 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	41,953	53,262
		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 and surrounding districts in 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

Notes to the financial statements (continued)

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					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	85,864	96,144	451,449	437,090	-	-	-	-	-	-	2.55	4.51
Receivables	-	-	-	-	-	-	-	-	44,014	43,809	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	4,508	5,234	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.

Notes to the financial statements (continued)

Note 25. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	5,373	5,332
Decrease in interest rate by 1%	5,373	5,332
Change in equity		
Increase in interest rate by 1%	5,373	5,332
Decrease in interest rate by 1%	5,373	5,332

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 2015 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 14th of September 2015.

Independent audit report



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

Report on the financial report

We have audited the accompanying financial report of Calliope & District Enterprises Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of 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 2015 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

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Calliope & District Enterprises Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 14 September 2015

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