

# annual report 2010



Ormond-McKinnon Community

Enterprises Limited

ABN 62 131 468 703

Ormond-McKinnon **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2010

It is with pleasure that I present the second Annual Report of the Ormond-McKinnon Community Enterprises Limited (OMCE Ltd). The 12 months to 30 June 2010 was certainly a period of fluctuating emotions for the Board of OMCE Ltd.

## **Share capital raising**

The share capital raising period for the Company that followed the launch of its prospectus on 25 June 2009 tested the resolve of each and every one of the Directors. The effects of the Global Financial Crisis significantly impacted the capacity of many pledgees to become shareholders in the Company, so a great deal of additional work and encouragement was required to promote the venture to enable the Board to ultimately achieve its minimum target of \$765,000 raised capital.

Can I take this opportunity to sincerely thank the final 229 shareholders for their contribution towards ensuring that the venture would proceed. At the close of the prospectus period on 30 June 2010, the total capital raised was \$828,850.

## **Branch opening**

The anxious moments during the prospectus period were quickly forgotten as the Board, our shareholders and other supporters watched with great anticipation as our branch premises was redevelopment and converted into a **Community Bank**<sup>®</sup> branch. Many thanks to Paul Thomson and Chris Black from Bendigo and Adelaide Bank Ltd's Properties department for overseeing the building works and fit-out.

Concurrent with the building works was the selection and appointment of the Branch staff. The Board's Human Resources Committee worked closely with Bendigo and Adelaide Bank Ltd staff during the recruitment process and the Board was delighted to welcome its foundation staff team at an informal gathering on 17 June 2010. We are proud of our staff and of the contribution they are making to establish the bank branch. Welcome to Lauren Tuff (Manager), Louise Marshall (Customer Relationship Officer) Gail Walsh, Kariyanna Johnson and Robyn McKenna (each Customer Service Officers).

The highlight of this reporting period was unquestionably the opening of Ormond-McKinnon **Community Bank**<sup>®</sup> Branch on 21 June 2010, and four days later, the 'public' (or official) opening of the branch. As was outlined during my speech that day, a small band of local residents and traders had worked tirelessly since 2006 to realise a dream to return direct banking services back to the Ormond and McKinnon areas. My pleasure on branch opening day was to see and experience their joy.

The public opening of the branch was a fantastic event for Ormond and McKinnon. The significance of the occasion was not lost on the City of Glen Eira, with the Mayor, Steven Tang, being one of our special guests and an active participant during the ceremony. Also attending was Bendigo and Adelaide Bank Ltd's Chief Manager Customer & Community and co-founder of the **Community Bank**<sup>®</sup> model, Russell Jenkins, and he gladly announced that the Ormond-McKinnon branch was the 259th **Community Bank**<sup>®</sup> branch to open in Australia.

Congratulations to the Board's Marketing & Sponsorship Committee for coordinating the organisational effort to put on the public opening ceremony. Others to assist included the other Directors, the branch staff and regional staff from Bendigo and Adelaide Bank Ltd, Alan Winn, Stephanie Jaehrling, Noel Will, the quartet of musicians

# Chairman's report continued

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from Kilvington Girls School and the City of Caulfield Lions Club. It was a great event and one enjoyed by all (refer to the pictures on the front and back covers of the Annual Report).

## **Position of the Company as at 30 June 2010**

This Annual Report reflects only nine days of bank trading to 30 June 2010. In relation to the financial performance of the Company for the period 1 July 2009 to 30 June 2010, its operations have performed in line with expectations and include absorption of branch establishment costs.

The Company made a loss of \$55,554 for the year. The Directors recommend that no dividend be paid to shareholders for the current period.

## **Community contributions**

I am pleased to report that two very important organisations within our community each received a \$500 grant from our Company. The Katandra School and the Community Information Glen Eira group were presented with their grants during the public opening ceremony of the branch. Future grants and sponsorships will be distributed throughout our community as the banking business continues to grow.

Shareholders are again reminded to consider transferring some or all of their accounts to our branch, and are encouraged to refer potential customers to our bank staff. This will not only ensure the future of our bank but will also help the Board to continue to expand the community grants program in future years.

## **Board members**

Your Board met on a monthly basis during the reporting period and has functioned well together given its diversity of skills, resources and capabilities.

It is with regret that I inform shareholders of the decision of three Directors to retire at the Annual General Meeting. John Lord, Jane Bradley and Marlies Krummenacher have all served the Board with great energy and enthusiasm and will be missed. On behalf of my fellow Board members can I sincerely thank them for their involvement and contribution to our **Community Bank®** venture.

Can I also acknowledge the tremendous amount of work and effort provided to the Company during the past 12 months by the other Directors: Barbara Douglas (Secretary), Geoff Gartly (Treasurer), Penny Armes, Brad Coates, Jenny King and Phillip Vazirani. Also, I would like to thank the non-Director Sub-Committee members, Alan Winn, Stephanie Jaehrling, Maria Schwartz and Jamie Hyams, whose contributions are appreciated and valued.

I also acknowledge the support and assistance of our paid legal advisor, David Rush, and financial services provider, Richmond Sinnott Delahunty, our Mentor, Peter Marke, and the Bendigo and Adelaide Bank Ltd staff, including Bill den Hartog, Michael Petering, Rachel Ellis and Chris Salm.

Finally, I look forward with confidence and much anticipation to the progressive growth of the business as the Board and the branch staff continue to forge partnerships and links within our community.



**Richard Simon**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

Ormond-McKinnon **Community Bank**<sup>®</sup> Branch opened for business on 21 June 2010. These are exciting times for the staff and I to be part of the branch as it establishes itself within the Ormond and McKinnon communities.

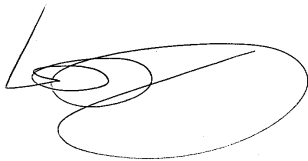
The Ormond-McKinnon **Community Bank**<sup>®</sup> Branch team consists of full-time Customer Relationship Officer Louise Marshall and full-time Customer Service Officer Gail Walsh, with Kariyanna Johnson and Robyn McKenna sharing a full-time Customer Service Officer position.

Our official opening day on 24 June was wonderful opportunity to be able to gift some funds to the Katandra School and to Community Information Glen Eira, two local community organisations providing valuable support in our community.

Our goal is to be in a position to gift out \$50,000 within two years. However, to do this we need the support of local residents and businesses. I invite you, your family and friends to come along and visit our “branch of the future” with its customer-friendly open space and helpful staff. Remember, any banking you hold with the Ormond-McKinnon **Community Bank**<sup>®</sup> Branch will benefit our community for years to come.

I would like to take the opportunity to thank all members of our Board and the initial Steering Committee for their hard and tireless work over the last four years to bring direct banking services back to Ormond and McKinnon. Without their commitment our branch would not be here today. I look forward to forging a strong working relationship into the future.

Finally, I would like to thank our shareholders for your generous support. I do hope to meet you all in the coming months as we collectively contribute to making our branch a thriving and successful business.



**Lauren Tuff**  
**Manager**

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

**Richard James Simon**

Chairman  
Recreation Planning Consultant

**Barbara Dawn Douglas**

Company Secretary  
Public Accountant

**Penelope Jane Armes**

Director  
Proprietor Healthwatch Foods

**Jennifer Wendy King**

Director  
Medical Practitioner

**John Lindsay Lord**

Director  
Property Consultant

**Margaret Jane Bradley**

Director  
Retired Teacher

**Bradley Christopher Coates**

Company Director  
Proprietor Melbourne Music Centre

**Geoffrey John Gartly**

Treasurer  
Chartered Accountant

**Marie-Louise Krummenacher**

Director  
Proprietor Ormond Meat and Small Goods

**Pradeep Vazirani**

Director  
Proprietor IGA Supermarket

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

No Directors have material interests in contracts or proposed contracts with the Company other than John Lord who is the owner of the property in which the Company has entered into a lease at 485 North Road, Ormond.

## Principal activities

There was little trading by the Company this financial year in the banking business. The Company activities were largely concentrated on establishing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd in Ormond.

The Company commenced trading on 21 June 2010.

## Operating results

Operations have performed in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was (\$55,554) (2009: (\$2,212)).

# Directors' report continued

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## **Dividends**

The Directors recommend that no dividend be paid for the current year.

## **Significant changes in the state of affairs**

In the opinion of the Directors there was a significant change in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report, being the execution by Directors of the Prospectus.

## **Significant events after the balance date**

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 to implement its intended policy of providing banking services to the community.

## **Directors' benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm in which a Director is a member or an entity in which a Director has a substantial financial interest, other than John Lord in his capacity as landlord of branch premises. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

The amount of reimbursement of expenses owed to Barbara Douglas is noted in the Financial Statements.

## **Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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' report continued

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## Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings	Audit Committee meetings
Richard James Simon	8	1
Margaret Jane Bradley (leave of absence)	3	N/A
Barbara Dawn Douglas	10	N/A
Bradley Christopher Coates	10	N/A
Penelope Jane Armes	8	1
Geoffrey John Gartly	10	N/A
Jennifer Wendy King	7	N/A
Marie-Louise Kruppenacher	10	N/A
John Lindsay Lord (leave of absence)	2	N/A
Pradeep Vazirani	7	N/A

N/A - not a member of that Committee.

## Company Secretary

Barbara Dawn Douglas has been the Company Secretary of Ormond-McKinnon Community Enterprises Limited since 2008. Barbara's qualifications and experience include Certified Practising Accountant and Chartered Secretary. Barbara has had over 50 years of accountancy experience in private practice.

## Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Richard Simon, Jamie Hyams, Penny Armes and Maria Schwartz;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.



# Directors' report continued

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## Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

### **Richmond Sinnott & Delahunty** Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

15 October 2010

The Directors  
Ormond-McKinnon Community Enterprises Limited  
485 North Road  
Ormond Vic 3204

Dear Directors

#### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Ormond-McKinnon Community Enterprises Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'W. Sinnott', with a small flourish at the end.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Ormond on 15 October 2010.

A handwritten signature in black ink, appearing to read 'Richard James Simon', with a long horizontal flourish underneath.

**Richard James Simon**  
Chairman

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	2,801	-
Employee benefits expense	3	(27,321)	-
Charitable donations and sponsorship		-	-
Depreciation and amortisation expense	3	(2,058)	-
Finance costs	3	(256)	-
Other expenses from ordinary activities		(53,339)	(3,160)
<b>Profit/(loss) before income tax expense</b>		<b>(80,173)</b>	<b>(3,160)</b>
Income tax expense	4	24,619	948
<b>Profit/(loss) after income tax expense</b>		<b>(55,554)</b>	<b>(2,212)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(55,554)</b>	<b>(2,212)</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	(6.70)	(22,120)
- diluted for profit / (loss) for the year	22	(6.70)	(22,120)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	338,318	10
Receivables	7	1,396	6,431
<b>Total current assets</b>		<b>339,714</b>	<b>6,441</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	303,330	-
Deferred tax assets	4	25,567	948
Intangible assets	9	108,222	-
<b>Total non-current assets</b>		<b>437,119</b>	<b>948</b>
<b>Total assets</b>		<b>776,833</b>	<b>7,389</b>
<b>Current liabilities</b>			
Payables	10	23,607	22,796
Loans and borrowings	11	-	2,010
Provisions	12	-	-
<b>Total current liabilities</b>		<b>23,607</b>	<b>24,806</b>
<b>Total liabilities</b>		<b>23,607</b>	<b>24,806</b>
<b>Net assets</b>		<b>753,226</b>	<b>(17,417)</b>
<b>Equity</b>			
Share capital	13	810,992	(15,205)
Retained earnings / (accumulated losses)	14	(57,766)	(2,212)
<b>Total equity</b>		<b>753,226</b>	<b>(17,417)</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,044	-
Cash payments in the course of operations		(60,892)	-
Interest paid		(256)	-
Interest received		1,471	-
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>(58,633)</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		(110,000)	-
Payments for property, plant and equipment		(303,610)	-
<b>Net cash flows from/(used in) investing activities</b>		<b>(413,610)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		828,736	10
Equity raising costs		(16,175)	(2,010)
<b>Net cash flows from/(used in) financing activities</b>		<b>812,561</b>	<b>(2,000)</b>
<b>Net increase/(decrease) in cash held</b>		<b>340,318</b>	<b>(2,000)</b>
Cash and cash equivalents at start of year		(2,000)	-
<b>Cash and cash equivalents at end of year</b>	<b>15a</b>	<b>338,318</b>	<b>(2,000)</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Share capital</b>			
Balance at start of year		(15,205)	-
Issue of share capital		828,736	10
Share issue costs		(2,539)	(15,215)
<b>Balance at end of year</b>		<b>810,992</b>	<b>(15,205)</b>
<b>Retained earnings / (accumulated losses)</b>			
Balance at start of year		(2,212)	-
Dividends paid	21	-	-
Profit/(loss) after income tax expense		(55,554)	(2,212)
<b>Balance at end of year</b>		<b>(57,766)</b>	<b>(2,212)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

Ormond-McKinnon Community Enterprises Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 15 October 2010.

### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

#### Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Income tax (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

### **Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<b>Class of asset</b>	<b>Depreciation rate</b>
Leasehold improvements	2.5 - 15%
Office equipment	40%

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalue amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

### **Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

### **Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

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.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.



# Notes to the financial statements continued

## Note 1. Basis of preparation of the financial report (continued)

### Loans and borrowings

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

### 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.

### Share capital

Issued and paid up capital is 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.

### Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The Company commenced operations during the prior period and hence comparative figures are for the period ending 30 June 2009.

	2010 \$	2009 \$
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## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	1,330	-
- other revenue	-	-
<b>Total revenue from operating activities</b>	<b>1,330</b>	<b>-</b>

### Non-operating activities:

- interest received	1,471	-
- other revenue	-	-
<b>Total revenue from non-operating activities</b>	<b>1,471</b>	<b>-</b>
<b>Total revenue from ordinary activities</b>	<b>2,801</b>	<b>-</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	22,418	-
- superannuation costs	2,612	-
- workers' compensation costs	16	-
- other costs	2,275	-
	<b>27,321</b>	<b>-</b>
<b>Depreciation of non-current assets:</b>		
- office equipment	62	-
- leasehold improvements	218	-
<b>Amortisation of non-current assets:</b>		
- intangibles	1,778	-
	<b>2,058</b>	<b>-</b>
<b>Finance costs:</b>		
- Interest paid	256	-
Bad debts	-	-

## Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	(24,052)	(948)
Add / (less) tax effect of:		
- Prior year under provision of tax	450	-
- Non-deductible expenses	(1,017)	-
<b>Current income tax expense</b>	<b>(24,619)</b>	<b>(948)</b>
<b>Income tax expense / (benefit)</b>	<b>(24,619)</b>	<b>(948)</b>
<b>Deferred tax assets</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>		
	<b>25,567</b>	<b>948</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	1,500
- Accounting work for prospectus	2,500	-
- Completion of feasibility study	-	6,000
	<b>6,400</b>	<b>7,500</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>338,318</b>	<b>10</b>
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### Note 7. Receivables

GST receivable	718	431
Debtors	-	6,000
Other receivables	678	-
	<b>1,396</b>	<b>6,431</b>

### Note 8. Property, plant and equipment

#### Leasehold improvements

At cost - leasehold improvements	302,524	-
Less accumulated depreciation	(218)	-
	<b>302,306</b>	-

#### Office equipment

At cost	1,086	-
Less accumulated depreciation	(62)	-
	<b>1,024</b>	-

<b>Total written down amount</b>	<b>303,330</b>	-
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## Notes to the financial statements continued

	2010 \$	2009 \$
Note 8. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Carrying amount at beginning of year	-	-
Additions	302,524	-
Disposals	-	-
Depreciation expense	(218)	-
<b>Carrying amount at end of year</b>	<b>302,306</b>	<b>-</b>
<b>Office equipment</b>		
Carrying amount at beginning of year	-	-
Additions	1,086	-
Disposals	-	-
Depreciation expense	(62)	-
<b>Carrying amount at end of year</b>	<b>1,024</b>	<b>-</b>

## Note 9. Intangible assets

<b>Franchise fee</b>		
At cost	10,000	-
Less accumulated amortisation	(162)	-
	<b>9,838</b>	<b>-</b>
<b>Preliminary expenses</b>		
At cost	100,000	-
Less accumulated amortisation	(1,616)	-
	<b>98,384</b>	<b>-</b>
	<b>108,222</b>	<b>-</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 10. Payables</b>		
Trade creditors	19,299	11,365
Other creditors and accruals	4,308	11,431
	<b>23,607</b>	<b>22,796</b>

### Note 11. Loans and borrowings

Bank overdraft	-	2,010
	-	<b>2,010</b>

### Note 12. Provisions

<b>Employee benefits</b>	-	-
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### Note 13. Share capital

Ordinary shares fully paid	828,746	10
Equity raising costs	(17,754)	(15,215)
	<b>810,992</b>	<b>(15,205)</b>

### Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(2,212)	-
Profit/(loss) after income tax	(55,554)	(2,212)
Dividends	-	-
<b>Balance at the end of the financial year</b>	<b>(57,766)</b>	<b>(2,212)</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 15. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
Cash assets	338,318	10
Bank overdraft	-	(2,010)
	<b>338,318</b>	<b>(2,000)</b>
<b>(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities</b>		
Profit / (loss) after income tax	(55,554)	(2,212)
Non cash items		
- Depreciation	280	-
- Amortisation	1,778	-
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(24,619)	(948)
- (Increase) decrease in receivables	5,035	-
- Increase (decrease) in payables	14,447	3,160
- Increase (decrease) in provisions	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>(58,633)</b>	<b>-</b>

## Note 16. Director and related party disclosures

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

Richard James Simon  
Margaret Jane Bradley  
Barbara Dawn Douglas  
Bradley Christopher Coates  
Penelope Jane Armes  
Geoffrey John Gartly  
Jennifer Wendy King  
Marie-Louise Krummenacher  
John Lindsay Lord  
Pradeep Vazirani

## Notes to the financial statements continued

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### Note 16. Director and related party disclosures (continued)

Barbara Douglas paid for various establishment costs in relation to the Company. These amounts were repaid during the year ending 30 June 2010 (30 June 2009: Barbara was owed \$9,931).

John Lord is the owner of the property in which the Company has entered into a lease for. The property is at 485 North Road, Ormond. The lease is under normal commercial terms.

No other Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

<b>Directors' shareholdings</b>	<b>2010</b>	<b>2009</b>
Richard James Simon	2,501	1
Margaret Jane Bradley	10,001	1
Barbara Dawn Douglas	20,001	1
Bradley Christopher Coates	15,081	1
Penelope Jane Armes	2,501	1
Geoffrey John Gartly	8,251	1
Jennifer Wendy King	5,001	1
Marie-Louise Kruppenacher	10,001	1
John Lindsay Lord	2,001	1
Pradeep Vazirani	20,001	1

Other than the initial one share issued to each Director at incorporation all shares were purchased during the year ending 30 June 2010. Each share held has a paid up value of \$1 and is fully paid and are held either directly or via related parties.

### Note 17. Subsequent events

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

### Note 18. Contingent liabilities

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

## Notes to the financial statements continued

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### Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Ormond and McKinnon, Victoria.

### Note 20. Corporate information

Ormond-McKinnon Community Enterprises Limited is a Company limited by shares incorporated in Australia.

The registered office is: 6 Brough Street,  
McKinnon VIC 3204

The principal place of business is: 485 North Road,  
Ormond VIC 3204

### Note 21. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2010	2009
	\$	\$

### Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Profit/(loss) after income tax expense</b>	<b>(55,554)</b>	<b>(2,212)</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>828,746</b>	<b>10</b>



# Notes to the financial statements continued

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## Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	338,318	10
Receivables	1,396	6,431
	<b>339,714</b>	<b>6,441</b>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company is past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

## Notes to the financial statements continued

Note 23. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2010</b>					
Payables	23,607	(23,607)	(23,607)	-	-
	<b>23,607</b>	<b>(23,607)</b>	<b>(23,607)</b>	-	-
<b>30 June 2009</b>					
Payables	22,796	(22,796)	(22,796)	-	-
	<b>22,796</b>	<b>(22,796)</b>	<b>(22,796)</b>	-	-

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

#### Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010 \$	2009 \$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	-	-
<b>Variable rate instruments</b>		
Financial assets	338,318	10
Financial liabilities	-	(2,010)
	<b>338,318</b>	<b>(2,000)</b>

## Notes to the financial statements continued

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Note 23. Financial risk management (continued)

### **(c) Market risk (continued)**

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

### **(d) Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

### **(e) 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 monitors the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) 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; and
- (ii) 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 2010 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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In accordance with a resolution of the Directors of Ormond-McKinnon Community Enterprises Limited, I 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 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



**Richard James Simon**  
**Chairman**

Signed at Ormond on 15 October 2010.

# Independent audit report

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## Richmond Sinnott & Delahunty Chartered Accountants



### **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORMOND-McKINNON COMMUNITY ENTERPRISES LIMITED**

Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

#### **SCOPE**

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Ormond-McKinnon Community Enterprises Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

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## Independent audit report continued

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We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

### **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **AUDIT OPINION**

In our opinion, the financial report of Ormond-McKinnon Community Enterprises Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*  
**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 15 October 2010











Ormond-McKinnon **Community Bank**<sup>®</sup> Branch  
485 North Road, Ormond VIC 3204  
Phone: (03) 9576 8211

Franchisee:  
Ormond-McKinnon Community Enterprises Limited  
6 Brough Street, McKinnon VIC 3204  
Phone: (03) 9576 8211  
ABN: 62 131 468 703

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Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
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