annual report 2012

Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

Contents

Chairman's report

For year ending 30 June 2012

It is with mixed feelings that I present my fourth and final Annual Report for the Ormond-McKinnon Community Enterprises Limited (OMCEL). I am retiring both as Chairman and as a Director of OMCEL, effective from the Annual General Meeting.

There is no doubt that retirement will have the advantage of providing me with additional time to invest in my business and other interests. However, retirement will also bring to a close my direct involvement in what has been an incredibly rewarding process to plan, deliver and now grow this community company for the ongoing benefit of the Ormond and McKinnon communities. I know I am leaving OMCEL in very capable hands of a skilled and hardworking Board and a fantastically committed and professional branch team.

I reported last year that the challenge for the Board and staff moving into our third year of business was to begin to grow the banking business in line with expectations and forecasts outlined in our Company Prospectus. I am pleased to report that the 2011/12 reporting period has realised significant growth in our business on the books despite the general economy and confidence of investors still being challenged.

Position of the company as at 30 June 2012

The financial performance of the banking business for the period 1 July 2011 to 30 June 2012 was highlighted by the quantum of business growth: from just on $15 million at 1 July 2011 to just less than $40 million at 30 June 2012. This is an outstanding result and occurred for a number of reasons, including increased business being generated from members and supporters of our sponsored groups, renewed marketing initiatives and promotion to customers, shareholders and the broad community, and the emergence of our branch team as a more pro-active and skilled unit in their interactions with customers and community.

Notwithstanding the significant growth on the books at the branch, the company (OMCEL) made a loss of $142,669 for the year. This was a pleasing improvement on the $236,926 loss for 2010/11 and confirms the upward growth in income now being enjoyed by the company. This growth, I am pleased to report, has continued into the 2 - 3 months of this financial year.

The Directors recommend that no dividend be paid to shareholders for the current period.

Community grants and sponsorships

The real advantage and benefit of the **Community Bank®** model, is the capability to support community groups and projects. I am pleased to report that in the past 12 months, our company has provided a total of $10,000 to the following community groups in the form of grants and sponsorships:

• Glen Eira College	$1,000
• Glen Eira Sports and Aquatic Centre	$500
• McKinnon Cricket Club	$1,000
• Ormond Amateur Football Club	$1,500
• Ormond Junior Football Club	$1,500
• Ormond Cricket Club	$1,500
• Ormond Glenhuntly Baseball Club	$500
• Aurora Calisthenics College	$500
• St Kevins Primary School	$1,000
• Ormond Netball Club	$1,000
Total	$10,000

Chairman's report (continued)

An additional $2,500 has been committed in the past couple of months to four other groups, and when this is combined with the $10,000 distributed during 2011/12, there has been a significant amount of money reinvested back into our community groups that would otherwise have not been available to support their worthwhile causes.

Whilst our contributions are commendable given our relative infancy, the power and value of the **Community Bank®** model to local communities is demonstrated no better than in the following statistics: the total amount distributed to communities (including shareholder dividends) during the 14-year period of Bendigo Bank's **Community Bank®** network is over $100 million Australia-wide, or just within the Eastern Region of Melbourne during 2011/12 an amount just over $1.8 million was distributed (OMCEL is one of eight companies in this region).

Shareholders, please continue to advocate the value and impact of the **Community Bank®** model and encourage friends, family and business colleagues to call the Ormond-McKinnon **Community Bank®** Branch to discuss how we can assist them with their financial needs.

Branch team

In January this year, Lauren Tuff resigned as Branch Manager. Can I take this opportunity to publicly acknowledge the contribution that Lauren made to the company and the business, particularly during the formative months of our establishment period after the branch opened in June 2010.

We had another staff change during the reporting period, with Customer Relationship Officer, Ben Zygadlo-Phillips, departing after a relatively short stay at the branch to become the primary home carer for his and his wife's first child.

It is fair to say that the Board experienced some anxious moments during the transition period between losing these two senior staff members in relatively quick succession to the appointment of Andrew Cameron as Branch Manager and Alistair Cooke as the new Customer Relationship Manager. Our concerns about any negative effect on the business that these changes might have proved to be completely unfounded, in fact, the impact that Andrew and Alistair have had on the branch, the banking business, and on the Board has been simply amazing. At this point, it is important that I acknowledge the manner that the other staff members, Gail Walsh, Kariyanna Johnson and Robyn McKenna handled themselves through this period of disruption and some uncertainty – ladies, you were and continue to be sensational!

I am pleased to report that the branch team is functioning very effectively under the leadership and guidance of Andrew. The Board is extremely optimistic moving forward with this team, who are displaying new vigour, enthusiasm and interest in the community and the overall business model.

Board members

The Board welcomed two new Directors in November last year, Kevin Davidson and Siobahn Rehill but unfortunately, Siobahn had to resign not long after in April 2012 due to work and family commitments.

Your Board met on a monthly basis during the financial year and has functioned well and worked hard to grow the business. Can I acknowledge the tremendous amount of work and effort provided to the company during the reporting period by all Directors:

- Noel Will excelled in his role as Company Secretary, by ensuring all operational and legal matters were properly documented and recorded.
- Geoff Gartly continued in the critical role of Company Treasurer. This is a very demanding position and certainly the workload and responsibility of the role is not lost on my fellow Directors or me.
- Of note was the preparation of a company business plan in the first part of this year. Kevin Davidson drove this process, and his leadership and good work were rewarded when the Board adopted the plan.
- Colin Geldart was the convener of the Business Development Committee, and his enthusiasm and attention to detail has been a major contributor to the growth in business.

Chairman's report (continued)

- Jenny King coordinated the activities of the Community Development Committee and ensured that a number of initiatives and activities were undertaken as part of the Board's ongoing aim to educate the broader community about the **Community Bank®** model.
- Despite a somewhat interrupted year in relation to involvement and capacity, Penny Armes continued to be an able and valued contributor on two committees and provided good assistance at events and activities.
- As mentioned, Siobahn Rehill was only with us for six months, however, in that time was able to bring to the Board some new ideas and suggestions, particularly in relation to community relationships.

Also, I would like to thank the non-Director committee members, Marlies Krummenacher, Alan Winn, Barbara Douglas, Maria Schwartz and Jamie Hyams, whose contributions are appreciated and valued.

It is with regret that I formally advise shareholders of the decision of Penny and I to retire at the Annual General Meeting. I have provided some insight above as to the basis of my decision to retire. Penny too, has made a decision to focus more of her time into running a family enterprise and to also pursue other interests. Whilst both of us will continue to assist the Board and staff in agreed capacities, I know I can speak on behalf of Penny when I say, "we have really enjoyed the ride, and wish Directors, staff and shareholders the very best in continuing to grow and expand the impact of OMCEL on the Ormond and McKinnon communities".

I also acknowledge the support and assistance of our legal advisor, David Rush, and financial services provider, Richmond Sinnott Delahunty, and the Bendigo Bank Eastern Region staff, including Michael Petering, Brad Peel, Nick Rawlins, Michelle McDonald, Chris Salm and Michelle Mason. Particular mention to Michael, who in his position as Eastern Region Manager provided outstanding support and guidance to the Board and staff during a period that at times proved quite challenging due to the changes in branch staffing.

In closing, can I again express my heartfelt thanks to all Directors and staff with whom I have worked during my four years as Chairman of OMCEL, and to the many other supporters and community members with whom I have had dealings. It has been an absolute pleasure and honour to be the inaugural Chairman of this company, and I wish the company every success in the future.

Richard Simon
Chairman

Manager's report

For year ending 30 June 2012

It is with pleasure that I submit my first report as Manager following my appointment in March this year to the Ormond-McKinnon **Community Bank®** Branch.

The second full year of trading has come and gone, and it has been an exciting and enjoyable time for all involved. The Ormond-McKinnon **Community Bank®** Branch is extremely fortunate to have seven very capable, enthusiastic and professional staff that have now settled into their banking careers with the Ormond-McKinnon **Community Bank®** Branch and are committed to providing the standard of service Bendigo Bank is renowned for.

We are striving to improve our skills and knowledge by participating in training courses both internally and externally along with being heavily involved in many local community events. The banking industry has had a volatile year and it is essential that we meet the challenges ahead of us. I thank my staff sincerely for their efforts to date and believe they are excellent ambassadors for the Ormond-McKinnon **Community Bank®** Branch and their respective communities.

The most rewarding aspect for the staff is that our customers bank with us because they want to and know the level of service and professionalism they will consistently receive.

From an operations perspective, business totaled $39.7 million as at 30 June 2012, which represents an increase of $24.7 million during the 12 month reporting period. The ATM is being used extensively by both our customers and other banks' customers with approximately 2,836 transactions per month.

Operational risk is always a major concern, however all audits, operations, credit, internal system reviews have reflected a minimum "satisfactory" result and in some cases higher, which indicates all staff are adhering to Bendigo Bank policy and meeting all government regulations and requirements - a great result.

Deposit balances have continued to fluctuate markedly in line with the local economy. Superannuation has had a slight impact on our deposit gathering while loan enquiries are steady.

Our Business Banking Manager, Nick Rawlins, along with Chris Walls our Financial Planner, are utilised when necessary to provide expertise for our business and wealth conscious customers, respectively.

Chris is a qualified Financial Planner and has proved very popular providing excellent advice and counselling in the financial arena. Chris specialises in superannuation strategies, pre and post retirement and taxation planning for investments, wealth protection and estate planning. Chris attends the branch weekly, although the wider Ormond and McKinnon communities do have greater access to this service, as he lives locally.

I believe that many in the community are not fully aware of all of the products that we offer, particularly those products outside the normal banking sphere – health, travel, loan, car, building, contents and landlords' insurance are all available.

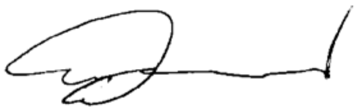
The full benefits of having the Ormond-McKinnon **Community Bank®** Branch are yet to be realised. I am aware of the benefits other communities have gained from having a **Community Bank®** branch in their community and it makes me all the more excited as to the future benefits we will achieve for the Ormond and McKinnon communities.

Manager's report (continued)

However, we must not assume just because the branch is open with friendly, professional staff and has a very extensive, competitive product range that business will automatically grow. We must continue to work extremely hard with a strong team effort from both the Directors and the staff. Finally, I would like to sincerely thank our Chairman, Richard Simon, and the Directors of the Ormond-McKinnon Community Enterprises Ltd Board for their support and assistance.

I look forward to another year of growth as we strive to achieve the goals of profit, shareholder dividends, and the ability to provide the Ormond and McKinnon communities with funds to spend in, and for, their own community.

Regards,



Andrew Cameron
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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
Board member since June 2008

Barbara Dawn Douglas
Director
Public Accountant
Retired November 2011

Penelope Jane Armes
Director
Proprietor Health Foods
Board member since June 2008

Jennifer Wendy King
Director
Medical Practitioner
Board member since June 2008

Noel Will
Secretary
Former Teacher now retired
Board member since November 2010

Siobhan Rehill
Director
Town Planner
Appointed November 2011 Resigned April 2012

Bradley Christopher Coates
Director
Proprietor Melbourne Music Centre
Retired November 2011

Geoffrey John Gartly
Treasurer
Chartered Accountant
Board member since June 2008

Colin Geldart
Director
Former Banker now retired
Board member since November 2010

Pradeep Vazirani
Director
Proprietor IGA Supermarket
Retired November 2011

Kevin Davidson
Director
Self Employed
Appointed November 2011

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank in Ormond.

There has been no significant changes in the nature of these activities during the year.

Operating results

The loss of the company for the financial year after provision for income tax was $142,669 (2011: $236,926).

Financial position

The net assets of the company have decreased by $142,669 from June 30, 2011 to $373,767 in 2012.

Dividends

The Directors recommend that no dividend be paid for the current year (2011: nil).

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.

Events after the reporting period

There are no other 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

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

Indemnifying Officers or Auditor

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 occurred 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.

Directors' meetings

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

Director	Board meetings#	Audit committee meetings#
Richard James Simon	12 (12)	1 (1)
Barbara Dawn Douglas (Resigned November 2011)	4 (4)	N/A
Bradley Christopher Coates (Resigned November 2011)	3 (4)	N/A
Penelope Jane Armes	6 (12)	1 (1)
Geoffrey John Gartly	10 (12)	N/A
Jennifer Wendy King	10 (12)	N/A
Pradeep Vazirani (Resigned November 2011)	3 (4)	N/A
Noel Will	11 (12)	N/A
Colin Geldart	9 (12)	N/A
Kevin Davidson (Appointed November 2011)	7 (8)	N/A
Siobhan Rehill (Resigned April 2012)	2 (5)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

Company Secretary

Barbara Dawn Douglas was the Company Secretary of Ormond-McKinnon Community Enterprises Limited since 2008 until her resignation. Barbara's qualifications include Certified Practicing Accountant and Chartered Secretary and she has had over 50 years of accountancy experience in public practice.

Noel Will was appointed Company Secretary on 30 June 2011. Noel's qualifications include a Bach. Ed'n, Grad. Dip. Marketing, Dip. Of Financial Planning. Noel is a resident of Ormond and was a member of the initial steering committee. Prior to retirement, Noel had 16 years experience in post primary teaching and 16 years experience as a financial planner.

Corporate governance

The company continued its various corporate governance practices, which include:

(a) Maintaining an audit committee. Members of the audit committee are Richard Simon, Jamie Hyams, Penelope Armes and Maria Schwartz;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training;

(d) Monthly Director meetings to discuss performance and strategic plans; and

(e) Development and implementation of a 5 year strategic plan.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Ormond on 25 September 2012.

Richard James Simon
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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www.rsdadvisors.com.au

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

To the Directors of Ormond-McKinnon Community Enterprises Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 26 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

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Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	274,007	105,457
Employee benefits expense	3	(269,692)	(266,279)
Depreciation and amortisation expense	3	(37,960)	(37,801)
Finance costs	3	(2,644)	-
Other expenses		(151,044)	(128,935)
Operating profit/(loss) before charitable donations & sponsorships		**(187,333)**	**(327,558)**
Charitable donations and sponsorship		(6,773)	(714)
Profit/(loss) before income tax expense		**(194,106)**	**(328,272)**
Income tax expense / (benefit)	4	51,437	91,346
Net profit/(loss) for the year		**(142,669)**	**(236,926)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(142,669)**	**(236,926)**
Earnings per share (cents per share)			
- basic for loss for the year	22	(17.21)	(28.59)
- diluted for loss for the year	22	(17.21)	(28.59)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	-	33,552
Receivables	7	16,921	5,880
Total current assets		**16,921**	**39,432**
Non-current assets			
Property, plant and equipment	8	293,624	305,143
Deferred tax assets	4	168,350	116,913
Intangible assets	9	64,222	86,222
Total non-current assets		**526,196**	**508,278**
Total assets		**543,117**	**547,710**
Liabilities			
Current liabilities			
Borrowings	10	150,080	-
Payables	11	16,699	25,943
Provisions	12	2,571	5,331
Total current liabilities		**169,350**	**31,274**
Total liabilities		**169,350**	**31,274**
Net assets		**373,767**	**516,436**
Equity			
Issued capital	13	811,128	811,128
Retained earnings / (accumulated losses)	14	(437,361)	(294,692)
Total equity		**373,767**	**516,436**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		286,419	108,370
Cash payments in the course of operations		(463,000)	(398,561)
Interest paid		(2,644)	-
Interest received		34	2,903
Net cash flows from/(used in) operating activities	**15b**	**(179,191)**	**(287,288)**
Cash flows from investing activities			
Payment for intangible assets		-	-
Payments for property, plant and equipment		(4,441)	(17,614)
Net cash flows from/(used in) investing activities		**(4,441)**	**(17,614)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Equity raising costs		-	136
Net cash flows from/(used in) financing activities		**-**	**136**
Net increase/(decrease) in cash held		**(183,632)**	**(304,766)**
Cash and cash equivalents at start of year		33,552	338,318
Cash and cash equivalents at end of year	**15a**	**(150,080)**	**33,552**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		810,992	810,992
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**810,992**	**810,992**
Retained earnings / (accumulated losses)			
Balance at start of year		(294,692)	(57,766)
Dividends paid	21	-	-
Net profit/(loss) for the year		(142,669)	(236,926)
Balance at end of year		**(437,361)**	**(294,692)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Ormond-McKinnon Community Enterprises Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 25 September 2012.

(b) 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.

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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
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.

(d) Impairment 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.

(e) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

Note 2. Revenue

	2012 $	2011 $
Operating activities		
- services commissions	273,973	102,555
- other revenue	-	-
	273,973	**102,555**
Non-operating activities:		
- interest received	34	2,902
- other revenue	-	-
	34	**2,902**
	274,007	**105,457**

	2012 $	2011 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	222,907	211,997
- superannuation costs	19,707	21,533
- workers' compensation costs	503	1,133
- other costs	26,575	31,616
	269,692	**266,279**
Depreciation of non-current assets:		
- office equipment	-	442
- leasehold improvements	15,960	15,359
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	37,960	**37,801**
Finance costs:		
- Interest paid	2,644	-

Note 4. Income tax expense

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

Prima facie tax on loss before income tax at 30%	(58,232)	(98,482)
Add / (less) tax effect of:		
- Prior year under provision of tax	1,967	-
- Non-deductible expenses	4,828	7,136
Current income tax benefit	**(51,437)**	**(91,346)**
Income tax benefit	**(51,437)**	**(91,346)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**168,350**	**116,913**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	3,900	3,900
	3,900	**3,900**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**-**	**33,552**

Note 7. Receivables

GST receivable	-	1,941
Other receivables	13,156	612
Prepayments	3,765	3,327
	16,921	**5,880**

Note 8. Property, plant and equipment

Leasehold improvements		
At cost - Leasehold improvements	319,328	319,328
Less accumulated depreciation	(30,063)	(15,577)
	289,265	**303,751**
Office equipment		
At cost	6,337	1,896
Less accumulated depreciation	(1,978)	(504)
	4,359	**1,392**
Total written down amount	**293,624**	**305,143**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	303,969	302,306
Additions	-	17,022
Disposals	-	-
Depreciation expense	(14,704)	(15,359)
Carrying amount at end of year	**289,265**	**303,969**
Office equipment & computers		
Carrying amount at beginning of year	1,392	1,024
Additions	4,441	810
Disposals	-	-
Depreciation expense	(1,475)	(442)
Carrying amount at end of year	**4,358**	**1,392**

	2012 $	2011 $

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(4,162)	(2,162)
	5,838	**7,838**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(41,616)	(21,616)
	58,384	**78,384**
	64,222	**86,222**

Note 10. Borrowings

	2012 $	2011 $
Bank overdraft	**150,080**	**-**

The company has an overdraft facility in place of $400,000 from Bendigo and Adelaide Bank and the annual percentage rate is 5.520% (2011: nil)

Note 11. Payables

	2012 $	2011 $
Trade creditors	2,027	22,097
Other creditors and accruals	14,672	3,846
	16,699	**25,943**

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**2,571**	**5,331**
Movement in employee benefits		
Opening balance	5,331	-
Additional provisions recogised	-	5,331
Amounts utilised during the year	(2,760)	-
Closing balance	**2,571**	**5,331**

	2012 $	2011 $

Note 13. Share capital

	2012 $	2011 $
Ordinary shares fully paid	828,860	828,860
Equity raising costs	(17,732)	(17,732)
	811,128	**811,128**
The company has authorised share capital amounting to 828,860 ordinary shares.		
Movement in share capital		
Opening balance	828,860	828,746
Additional capital raised	-	114
Closing balance	**828,860**	**828,860**

Note 14. Retained earnings / (accumulated losses)

	2012 $	2011 $
Balance at the beginning of the financial year	(294,692)	(57,766)
Profit/(loss) after income tax	(142,669)	(236,926)
Dividends	-	-
Balance at the end of the financial year	**(437,361)**	**(294,692)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Bank overdraft/cash assets	**(150,080)**	**33,552**

(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities

	2012 $	2011 $
Loss after income tax	(142,669)	(236,926)
Non cash items		
- Depreciation	15,960	15,801
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(51,437)	(91,346)
- (Increase) decrease in receivables	(11,041)	(4,484)
- Increase (decrease) in payables	(6,744)	(164)
- Increase (decrease) in provisions	(5,260)	7,831
Net cash flows from/(used in) operating activities	**(179,191)**	**(287,288)**

Note 16. Director and related party disclosures

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

Richard James Simon
Barbara Dawn Douglas
Bradley Christopher Coates
Penelope Jane Armes
Geoffrey John Gartly
Jennifer Wendy King
Pradeep Vazirani
Noel Will
Colin Geldart
Kevin Davidson
Siobhan Rehill

No Directors have material interests in contracts or proposed contracts with the company.

No Director's fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2012**	**2011**
Richard James Simon	2,501	2,501
Barbara Dawn Douglas	20,001	20,001
Bradley Christopher Coates	15,081	15,081
Penelope Jane Armes	2,501	2,501
Geoffrey John Gartly	8,251	8,251
Jennifer Wendy King	5,001	5,001
Pradeep Vazirani	20,001	20,001
Noel Will	10,000	10,000
Colin Geldart	10,000	10,000
Kevin Davidson	-	-
Siobhan Rehill	-	-

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid and are held either directly or via related parties.

The Ormond-Mckinnon Community Enterprises Limited has accepted the **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with Ormond-McKinnon Community Enterprises Limited. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Note 17. Events after the reporting period

Since balance date, the world financial markets continued their volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Ormond-McKinnon, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 20. Corporate information

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

The registered office and 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.

	2012 $	2011 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing 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 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:

	2012 $	2011 $
Loss after income tax expense	**(142,669)**	**(236,926)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**828,860**	**828,746**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	-	33,552
Receivables	7	16,921	5,880
Total financial assets		**16,921**	**39,432**
Financial liabilities			
Payables	11	16,699	25,943
Bank overdraft	10	150,080	-
Total financial liabilities		**166,779**	**25,943**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 $	2011 $
Cash and cash equivalents	-	33,552
Receivables	16,921	5,880
	16,921	**39,432**

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(16,699)	(16,699)	–	–
Bank overdraft	(150,080)	(150,080)	–	–
Total expected outflows	**(166,779)**	**(166,779)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	–	–	–	–
Receivables	16,921	16,921	–	–
Total anticipated inflows	**16,921**	**16,921**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(149,858)**	**(149,858)**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(25,943)	(25,943)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(25,943)**	**(25,943)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	33,552	33,552	–	–
Receivables	5,880	5,880	–	–
Total anticipated inflows	**39,432**	**39,432**	**–**	**–**
Net (outflow)/inflow on financial instruments	**13,489**	**13,489**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount 2012 $	Carrying amount 2011 $
Floating rate instruments		
Financial assets	-	33,552
Financial liabilities	150,080	-
	150,080	**33,552**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 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%.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Capital 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 2012 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

In accordance with a resolution of the Directors of Ormond-McKinnon Community Enterprises Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 14 to 33 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion 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 25 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORMOND-MCKINNON COMMUNITY ENTERPRISES LTD

Report on the Financial Report

We have audited the accompanying financial report of Ormond-McKinnon Community Enterprises Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 (IFRS).

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. Those 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Philip Delahunty
Cara Hall, Kathie Teasdale
Brett Andrews, David Richmond

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Ormond-McKinnon Community Enterprises Ltd is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 26 September 2012

Franchisee:
Ormond-McKinnon Community Enterprises Limited
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Phone: (03) 9576 8211
ABN: 62 131 468 703
www.bendigobank.com.au/ormond_mckinnon

Share Registry:
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Phone: (03) 9576 8211

Bendigo Bank

(BMPAR12052) (08/12)