Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

ANNUAL REPORT 2013

Ormond-McKinnon **Community Bank®** Branch

Contents

Chairperson's report

For year ending 30 June 2013

It is with mixed emotions, that I present this Annual Report for Ormond-McKinnon Community Enterprises Limited (OMCEL). On a personal note, the last half of this financial year has presented a number of family heath challenges and, for this reason, I have been on leave of absence, since July 2013. In my absence, Andrew French was appointed by the Board as Interim Chairperson.

I am retiring, both as Chairperson and as a Director of OMCEL, effective from the Annual General Meeting.

Position of the company, as at 30 June 2013

The financial performance of the banking business, for the period 1 July 2012 to 30 June 2013, showed an increase in business growth (total loans and deposits) from nearly $40 million at 1 July 2012 to $45.6 million at 30 June 2013. This modest increase reflects the general economic situation, plus a number of challenges faced throughout the financial year, as a result of changes in branch personnel and its impact on business development. The company (OMCEL) made a loss of $105,270 for the year. This is an improvement over last year's loss of $141,266 and reflects the upward growth in quantum of business and resultant income, now being enjoyed by the company.

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

Community Grants and Sponsorships

The **Community Bank®** model's real advantage is the ongoing capability to financially support community groups and projects. I am pleased to report that, in the past 12 months, our company has provided a total of $23,620 to the following community groups in the form of sponsorships and grants:

Aurora Calisthenics College	$ 1,000
Caulfield Bears Football Club	$ 1,000
Caulfield Bears Junior Football Club	$ 1,000
McKinnon Cricket Club	$ 500
McKinnon Primary School	$ 1,000
Ormond Amateur Football Club	$ 3,120
Ormond Cricket Club	$ 3,500
Ormond Glenhuntly Baseball Club	$ 500
Ormond Junior Football Club	$ 3,000
Ormond Netball Club	$ 3,500
St. Anthony's Primary School	$ 1,000
St. Finbar's Tennis Club	$ 1,000
St. Kevin's Primary School	$ 2,500
St. Paul's McKinnon Junior Football Club	$ 1,000
Total	**$ 23,620**

At the branch's third birthday celebrations, in June this year, the combined totals returned to the community were tallied over our three years of operation and I am proud to say that we have reinvested nearly $40,000 back into our community groups that otherwise, would not have been available to support their worthwhile causes.

These tangible contributions are commendable, given our relative infancy. The power of the **Community Bank®** model to develop local communities has been clearly demonstrated. In its 14 year existence the model has returned in excess of $131 million in contributions and shareholder dividends to communities Australia-wide. At a local level, during 2012/13 financial year, more than $1 million has been distributed within the Melbourne Eastern region alone.

Given the value and impact of the **Community Bank®** model, we ask our shareholders to please personally support the Ormond-McKinnon **Community Bank®** Branch and also encourage friends, family and business colleagues to contact the branch to discuss how our team can assist them with their financial needs.

Branch Team

In December 2012, Andrew Cameron resigned as Branch Manager to undertake further postgraduate studies. In addition, in March 2013, our Customer Relationship Manager, Alistair Cooke, departed to undertake a corporate advancement position in the city. I take this opportunity to acknowledge the contribution that Andrew and Alistair made to the banking business, the branch and to the Board, with their overall support and dedication.

The loss of two senior members of the branch team, during the reporting period, presented some anxious moments for the Board and the other members of the branch team. To Gail Walsh, Kariyanna Johnson and Robyn McKenna – a very big "thank you" for providing "business as usual" during a period of disruption. Your efforts continue to be much appreciated by the Board.

With this transitioning of senior members of the branch team, we took the opportunity to appraise our business development strategy, marketing initiatives and promotion to customers, shareholders and the broader community, plus the functioning of our branch team to become a more pro-active and skilled unit in their interactions with customers and community. I am pleased to report that the branch team is functioning very effectively, under the new leadership and guidance of Branch Manager, Nick Colasante, and Customer Relationship Manager, Melanie Eeles. The Board is optimistic about moving forward with this team, who are displaying enthusiasm and interest in our customers, the community and the overall business model.

Board members

The Board welcomed Andrew French, as a new Director, in November last year.

Your Board met on a monthly basis, during the financial year, and has functioned well and worked hard to grow the business. I wish to 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, a time consuming and exacting position.
- Geoff Gartly continued in the critical role of Company Treasurer, which is a demanding position, requiring adherence to responsibility, accuracy and timeliness.
- Kevin Davidson, who drove the development of our business plan, as well as the management of our building and assets. He has also implemented a survey process with our main stakeholders, with the resultant re-engagement of our shareholders.
- Andrew French, for his enthusiasm and attention to new ideas on marketing and advertising, and for taking on the Interim Chairperson role, during my leave of absence.
- Jenny King coordinated our community development activities, as part of the Board's ongoing aim to educate the broader community about the **Community Bank®** model.

Chairperson's report (continued)

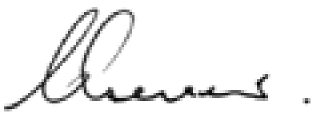
- In the last few months, since the end of our financial year, we have appointed four new Directors, who will be presented for election by shareholders, at the AGM, and this bodes well for the Board with extra capacity, new skills and expertise to help grow our business.

On behalf of the company, I would like to formally thank Richard Simon and Penny Armes, who both retired from the Board, at last year's AGM. Their contributions during OMCEL's formative years were greatly appreciated and they both played major roles in getting the Ormond-McKinnon **Community Bank®** Branch established. As the years go by, they can both be well satisfied with their efforts and proud that they helped get a banking facility back to Ormond - and a **Community Bank®** branch at that!

I also acknowledge the support and assistance of Richmond Sinnott Delahunty, who support us with the preparation of our financial accounts. Thanks also to the Bendigo and Adelaide Bank Eastern Region staff – Michael Petering, Brad Peel, Nick Rawlins, Michelle McDonald, Michelle Mason and Caitlin Harvey - who all provided invaluable support to us during a period that, at times, proved quite challenging, due to the changes in the personnel of the branch team.

As indicated earlier, it is with regret that I formally advise shareholders of my decision to retire at the Annual General Meeting. I would like to take this opportunity to thank all Directors and the Branch Manager and the branch team for their understanding and support. I will be proud to remain associated, in agreed capacities, with OMCEL and the **Community Bank®** branch, as it continues its journey towards making a real impact in our local area. I have really enjoyed the last three years on the OMCEL Board and I wish Directors, the branch team, shareholders and sponsored partners the very best in continuing to grow and expand the impact of OMCEL in the Ormond and McKinnon communities. I know I am leaving OMCEL in very capable hands of a skilled and hardworking Board and a committed and professional branch team.

I wish the company every success in the future.



Colin Geldart
Chairperson

Andrew French
Interim Chairperson

Manager's report

For year ending 30 June 2013

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

The third 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 four very capable, enthusiastic and professional staff that have settled into their banking careers with the Ormond-McKinnon **Community Bank®** Branch and are committed to providing the standard of service for which Bendigo and Adelaide Bank is renowned. I especially thank Melanie Eeles, our recently appointed Customer Relationship Manager, for her support. I believe our frontline team, in conjunction with our Board, are well placed to move the branch to the next level in our business cycle, after a few years in the start up or establishment phase. We look to customer growth, new opportunities and profits, as we progress to the growth phase of our business.

We constantly strive 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 another volatile year and it is essential that we continue to meet the challenges ahead of us. I thank my team, sincerely, for their efforts to date and believe they are excellent ambassadors for the Ormond-McKinnon **Community Bank®** Branch and our respective communities.

The most rewarding aspect for the team is that they realize that our customers bank with us because they want to and value the level of service and professionalism they consistently receive. It is encouraging for the team to experience that the customers understand and embrace the **Community Bank®** model.

From an operations aspect, business totaled $45.6 million, as at 30 June 2013, which represents an increase of $5.6 million, during the 12 months reporting period. The ATM is being used extensively, by both our customers and customers from other banks, with over 2,600 transactions per month.

Operational risk is always a major concern, with the most recent audits - operations, credit and internal system reviews - reflecting a minimum "satisfactory" result, which indicates that the team is adhering to Bendigo and Adelaide Bank policy and meeting all government regulations and requirements.

Deposit balances have continued to fluctuate markedly, in line with the local economy, and superannuation continues to have a slight impact on our deposit gathering, with the loan enquiries being steady.

Our specialised business partners are a valuable resource we continue to utilize, when necessary, to provide expertise for our business and wealth conscious customers. Our Business Banking Manager, Nick Rawlins, our Financial Planner, Michael Risteski, and other specialists are always available to ensure clients receive the best and most appropriate service and advice, based on their individual needs, and we thank them for their contributions.

I still believe that many in our community are not fully aware of all of the products that we offer. As such, we continue to promote that we offer all the core and specialised products, that are offered through most major financial institutions. I want to emphasise that we continue to put our effort into promoting our full banking products and services, at all opportunities, both within the branch and the broader community.

The full benefits of having the Ormond-McKinnon **Community Bank®** Branch are still yet to be realised, as we reflect on the benefits that communities can gain from having access to the services of a **Community Bank®** branch. It is an opportunity that excites me and the other members of the team, as we contemplate the benefits that we can bring to the community of Ormond and McKinnon.

Manager's report (continued)

I wish to stress that we do not assume that business will grow, automatically, simply because the branch is open, with friendly and professional staff and that we have a very extensive and competitive product range. As a united team of branch and Board, we need to continue to work extremely hard, to elevate our engagement with our community groups and to communicate the **Community Bank®** branch story - highlighting our point of difference!

Finally, I sincerely thank our Chairperson, Colin Geldart, and the Directors of Ormond-McKinnon Community Enterprises Limited for their support and assistance.

I look forward to another year of increased involvement and engagement in our community, focussing on the achievement of our profit goals, which enables us to further support our community and shareholders.

Regards

Nick Colasante
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching $100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian 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. But in the years since, the **Community Bank®** model has become so much more.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – $102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – $24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – $30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This $100 million goes 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 the 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), tertiary education 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 continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be 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 your community 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.

With the community's support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Colin Geldart Appointed 2010 Director	Senior Fellow, Financial Services Institute of Australasia (SF Fin)	48 years involvement in the Banking and Finance industry. Past Board experience with other organisations over last 10 years
Jennifer King Appointed 2008 Director	MB BS, FANZCA DA (Lond)	On board since 2008 and on steering committee. Past committee member school, sporting group and professional organisations
Geoffrey Gartly Appointed 2008 Treasurer	Bachelor of Business Monash Institute of Chartered Accountants	25 years in Public Practice as an Accountant Gartly & Associates Pty Ltd. Held numorous positions in other community organisations Presently Treasuer of Ormond Traders Association
Noel Will Appointed 2010 Secretary	B. Ed., Dip. of Financial Planning, Grad. Dipl. Marketing	Extenside experience in Financial Services, problem solving. Former teacher and passionate Ormond resident
Kevin Davidson Appointed 2011 Director	Assoc Dip Electronics & & communications eng	1974 -2006 Managing Director of Davidson Group of Companies. Experience in sales leadership, strategy & business development,and implemnentation of quality sytems. Director of the Board Rotary Club of Bentleigh Moorabbin Central
Penelope Armes Appointed 2008 Director retired November 2012	Endeavour College of Natural Therapies	Director of Ormond Heathwatch Foods Naturopathic Nutritionist Secretary of Ormond Traders Association and local trader
Richard Simon Appointed 2008 Director / Chairperson retired November 2012	B. Appl. Sci. (Physical Education), VU (1983)	30 years experience in recreational planning and is a board member of many local community and sporting groups
Andrew James French Appointed September 2012 Director	B.Ag. Sc (Hons) Ph.D.	Senior Executive Roles and Medical and Life Sciences Consultant Australia Agribiotech Pty Ltd – Director and Secretary involved in other local and sporting organisations at a Board level

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

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

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 Limited.

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

Review of operations

The loss of the company for the financial year after providing for income tax was $105,270 (2012 loss: $142,669), which is a 26% improvement as compared with the previous year.

The net assets of the company have decreased to $263,267 (2012: $373,767). The decrease is largely due to loss made by the enity for the period.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years. The company has appointed a new Branch Manager and has implemented a revised 5 year business plan

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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.

The Ormond-McKinnon Community Enterprises Limited has accepted the Bendigo and Adelaide Bank Limited's **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 the branch. There is no requirement to own Bendigo and Adelaide Bank Ltd 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 Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $250 for the year ended 30 June 2013. The estimated benefit per Director is as follows:

	2013
Colin Geldart	250
Jennifer King	-
Geoffrey Gartly	-

Remuneration benefits and payments (continued)

	2013
Noel Will	-
Kevin Davidson	-
Penelope Armes retired November 2012	-
Richard Simon retired November 2012	-
Andrew James French	-

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 held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit committee meetings #
Richard Simon (retired November 2012)	5 (5)	1(1)
Geoffrey Gartly	11(12)	2 (2)
Colin Geldart	12 (12)	1 (1)
Jennifer King	12 (12)	N/A
Noel Will	12 (12)	N/A
Kevin Davidson	7(12)	N/A
Andrew James French (appointed September 2012)	6 (9)	N/A
Penelope Armes (retired September 2012)	2 (3)	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.

Directors' report (continued)

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

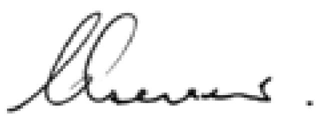
Company Secretary

Noel Will has been the Company Secretary of Ormond-McKinnon Community Enterprises Limited since 2011. Noel's qualifications and experience include a Bach. Ed'n, Grad. Dip. Marketing, Dip. of Financial Planning.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 13 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Ormond, Victoria on 27 September 2013.



Colin Geldart
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

27 September 2013

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

Dear Directors

To the Directors of Ormond-McKinnon Community Enterprises Ltd

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 2013 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

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

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

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	371,689	274,007
Employee benefits expense	3	(276,898)	(269,692)
Depreciation and amortisation expense	3	(36,477)	(37,960)
Finance costs	3	(9,969)	(2,644)
Bad and doubtful debts expense	3	(224)	(56)
Rental expense		(39,138)	(34,229)
Other expenses		(120,721)	(116,759)
Operating loss before charitable donations & sponsorships		**(111,738)**	**(187,333)**
Charitable donations and sponsorships		(23,629)	(6,773)
Loss before income tax expense		**(135,367)**	**(194,106)**
Tax benefit	4	(30,097)	(51,437)
Loss for the year		**(105,270)**	**(142,669)**
Total comprehensive income		**(105,270)**	**(142,669)**
Profit/(loss) attributable to:			
Members of the company		(105,270)	(142,669)
Total		**(105,270)**	**(142,669)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(12.70)	(17.21)
- diluted for profit / (loss) for the year	21	(12.70)	(17.21)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	48	-
Trade and other receivables	7	28,333	16,921
Total current assets		**28,381**	**16,921**
Non-current assets			
Property, plant and equipment	8	279,147	293,624
Deferred tax asset	4	198,447	168,350
Intangible assets	9	42,222	64,222
Total non-current assets		**519,816**	**526,196**
Total assets		**548,197**	**543,117**
Liabilities			
Current liabilities			
Trade and other payables	10	21,734	16,699
Borrowings	11	245,907	150,080
Provisions	12	12,059	2,571
Total current liabilities		**279,700**	**169,350**
Total liabilities		**279,700**	**169,350**
Net assets		**268,497**	**373,767**
Equity			
Issued capital	13	811,128	811,128
Accumulated losses	14	(542,631)	(437,361)
Total equity		**268,497**	**373,767**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011		**811,128**	**(294,692)**	**516,436**
Total comprehensive income for the year		-	(142,669)	(142,669)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2012		**811,128**	**(437,361)**	**373,767**
Balance at 1 July 2012		**811,128**	**(437,361)**	**373,767**
Total comprehensive income for the year		-	(105,270)	(105,270)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2013		**811,128**	**(542,631)**	**268,497**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		384,510	286,419
Payments to suppliers and employees		(470,320)	(463,000)
Interest paid		(9,969)	(2,644)
Interest received		-	34
Net cash flows used in operating activities	**15b**	**(95,779)**	**(179,191)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(4,441)
Net cash flows from/(used in) investing activities		**-**	**(4,441)**
Net decrease in cash held		**(95,779)**	**(183,632)**
Cash and cash equivalents at start of year		(150,080)	33,552
Cash and cash equivalents at end of year	**15a**	**(245,859)**	**(150,080)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Ormond-McKinnon Community Enterprises Limited.

Ormond-McKinnon Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27th September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements after consideration of the following:

(i) The company recognises that losses will be incurred during the development of the business and while market access is being developed within the area. The company has reported a loss after tax of $105,270 (2012: $142,669) for the year ended 30 June 2013. The company has budgeted for a loss before tax of $74,523 for the 2013/14 year. The Directors will continue to review their growth forecast budget and cashflows throughout the 2013/14 year.

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2013/14 financial year and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Income tax (continued)

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.

(d) 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:

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 revalued 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) 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.

(f) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(g) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(h) 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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and other Comprehensive Income.

(i) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(l) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(m) Loans and borrowings

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

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Note 1. Summary of significant accounting policies (continued)

(n) Provisions (continued)

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(o) 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.

(p) Comparative figures

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

(q) 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:

<u>Estimation of useful lives of assets</u>

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.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company’s assessment of future cash flows.

<u>Impairment</u>

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.

Note 1. Summary of significant accounting policies (continued)

(r) 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.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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 to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 $	2012 $

Note 2. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	371,689	273,973
	371,689	**273,973**
Other revenue		
- interest received	-	34
Total revenue	**371,689**	**274,007**

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	249,232	222,907
- superannuation costs	20,582	19,707
- worker's compensation costs	811	503
- other costs	6,273	26,575
	276,898	**269,692**
Depreciation of non-current assets:		
- plant and equipment	14,477	15,960
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	36,477	**37,960**
Finance costs:		
- Interest paid	9,969	2,644
Bad debts	224	56

Note 4. Tax expense

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	(40,610)	(58,232)

	2013 $	2012 $

Note 4. Tax expense (continued)

	2013 $	2012 $
Add tax effect of:		
- Prior year under provision of tax	1,067	1,967
- Non-deductible expenses	9,446	4,828
Current income tax expense	**(30,097)**	**(51,437)**
Income tax attributable to the entity	**(30,097)**	**(51,437)**
The applicable weighted average effective tax rate is	23.01%	26.50%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**198,447**	**168,350**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

	2013 $	2012 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	**4,100**	**3,900**

Note 6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	**48**	**-**

Note 7. Trade and other receivables

	2013 $	2012 $
Current		
Trade debtors	24,291	13,156
Prepayments	4,042	3,765
	28,333	**16,921**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	24,291	-	-	-	-	24,291
Total	**24,291**	**-**	**-**	**-**	**-**	**24,291**
2012						
Trade receivables	13,156	-	-	-	-	13,156
Total	**13,156**	**-**	**-**	**-**	**-**	**13,156**

Note 8. Property, plant and equipment

	2013 $	2012 $
Leasehold improvements		
At cost	319,328	319,328
Less accumulated depreciation	(43,516)	(30,063)
	275,812	**289,265**
Office Equipment		
At cost	6,337	6,337
Less accumulated depreciation	(3,002)	(1,978)
	3,335	**4,359**
Total written down amount	**279,147**	**293,624**
Movements in carrying amounts		
Leashold improvements		
Balance at the beginning of the reporting period	289,265	303,969
Additions	-	-
Disposals	-	-
Depreciation expense	(13,453)	(14,704)
Balance at the end of the reporting period	**275,812**	**289,265**

	2013 $	2012 $

Note 8. Property, plant and equipment (continued)

	2013 $	2012 $
Office Equipment		
Balance at the beginning of the reporting period	4,358	1,392
Additions	-	4,441
Disposals	-	-
Depreciation expense	(1,023)	(1,475)
Balance at the end of the reporting period	**3,335**	**4,358**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(5,170)	(4,162)
	4,830	**5,838**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(62,608)	(41,616)
	37,392	**58,384**
Total Intangible assets	**42,222**	**64,222**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	5,838	7,838
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	**3,838**	**5,838**
Preliminary expenses		
Balance at the beginning of the reporting period	58,384	78,384
Additions	-	-
Disposals	-	-
Amortisation expense	(20,000)	(20,000)
Balance at the end of the reporting period	**38,384**	**58,384**

	2013 $	2012 $

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	6,365	2,027
Other creditors and accruals	15,369	14,672
	21,734	**16,699**

Note 11. Borrowings

Bank overdraft	245,907	150,080
	245,907	**150,080**

The company has an overdraft facility in place for $400,000 from Bendigo and Adelaide Bank Limited and the annual percentage rate is 5.104%.

The overdraft is on normal terms and conditions.

Note 12. Provisions

Employee benefits	**12,059**	**2,571**
Movement in employee benefits		
Opening balance	2,571	5,331
Additional provisions recognised	-	-
Amounts utilised during the year	9,488	(2,760)
Closing balance	**12,059**	**2,571**
Current		
Annual Leave	12,059	2,571
Total provisions	**12,059**	**2,571**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 13. Share capital

	2013 $	2012 $
828,860 Ordinary shares fully paid of $1 each	828,860	828,860
Less: Equity raising costs	(17,732)	(17,732)
	811,128	**811,128**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	828,860	828,860
At the end of the reporting period	**828,860**	**828,860**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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%.

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $

Note 14. Accumulated losses

	2013 $	2012 $
Balance at the beginning of the reporting period	(437,361)	(294,692)
Profit/(loss) after income tax	(105,270)	(142,669)
Balance at the end of the reporting period	**(542,631)**	**(437,361)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2013 $	2012 $
As per the statement of financial position	48	-
less Bank overdraft	(245,907)	(150,080)
As per the statement of cash flow	**(245,859)**	**(150,080)**

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

	2013 $	2012 $
Profit / (loss) after income tax	(105,270)	(142,669)
Non cash items		
- Depreciation	14,477	15,960
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(11,412)	(11,041)
- (Increase) decrease in deferred tax asset	(30,097)	(51,437)
- Increase (decrease) in payables	5,035	(6,744)
- Increase (decrease) in provisions	9,488	(5,260)
Net cash flows from/(used in) operating activities	**(95,779)**	**(179,191)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft bill facility amounting to $400,000 (2012: $400,000). This may be terminated at any time at the option of the bank. At 30 June 2013, $245,907 of this facility was used (2012: $149,543). Variable interest rates apply to the overdraft facilities.

Note 16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

Note 16. Related party transactions (continued)

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

The Ormond-McKinnon Community Enterprises Limited has accepted the Bendigo and Adelaide Bank Limited's **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 the branch. There is no requirement to own Bendigo and Adelaide Bank Limited 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 Limited shareholders.

The Directors have estimated the total benefits received from the Directors Privilege Package to be $250 for the year ended 30 June 2013. The estimated benefits per Director is as follows:

	2013
Colin Geldart	250
Jennifer King	-
Geoffrey Gartly	-
Noel Will	-
Kevin Davidson	-
Penelope Armes retired November 2012	-
Richard Simon retired November 2012	-
Andrew James French	-
	250

(d) Key management personnel shareholdings

The number of ordinary shares in Ormond-McKinnon Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2013	**2012**
Geoffrey Gartly	8,251	8,251
Colin Geldart	10,000	10,000
Jennifer King	5,001	5,001
Noel Will	10,000	10,000

Note 16. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2013	2012
Andrew James French (appointed September 2012)	-	-
Kevin Davidson (appointed September 2012)	-	-
Penelope Armes (retired November 2012)	2,501	2,501
Richard Simon (retired November 2012)	2,501	2,501

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

There have been no 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 Limited who account for 100% of the revenue (2012: 100%).

Note 20. Company details

The registered office & principle place of business is: 485 North Road, Ormond VIC 3204

Note 21. 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).

Notes to the financial statements (continued)

	2013 $	2012 $

Note 21. Earnings per share (continued)

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

	2013 $	2012 $
Profit/(loss) after income tax expense	**(105,270)**	**(142,669)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**828,860**	**828,860**

Note 22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	48	-
Trade and other receivables	7	28,333	16,921
Total financial assets		**28,381**	**16,921**
Financial liabilities			
Trade and other payables	10	21,734	16,699
Bank overdraft	11	245,907	150,080
Total financial liabilities		**267,641**	**166,779**

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.

Note 23. Financial risk management (continued)

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**48**	**-**

(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.

In addition the company has established an overdraft facility of $400,000 with Bendigo and Adelaide Bank Limited. Financial liability and financial asset maturity analysis:

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	10	21,734	21,734	–	–
Loans and borrowings	11	245,907*	245,907	–	–
Total expected outflows		**267,641**	**267,641**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	48	48	–	–
Trade and other receivables	7	28,333	28,333	–	–
Total anticipated inflows		**28,381**	**28,381**	**–**	**–**
Net (outflow)/inflow financial instruments		**(239,260)**	**(239,260)**	**–**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	10	16,699	16,699	–	–
Loans and borrowings	11	150,080*	150,080	–	–
Total expected outflows		**166,779**	**166,779**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	–	–	–	–
Trade and other receivables	7	16,921	16,921	–	–
Total anticipated inflows		**16,921**	**16,921**	**–**	**–**
Net (outflow)/inflow financial instruments		**(149,858)**	**(149,858)**	**–**	**–**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Note 23. Financial risk management (continued)

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	5.10%	5.52%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(2,459)	(2,459)
	(2,459)	**(2,459)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(1,501)	(1,501)
	(1,501)	**(1,501)**

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.

Directors' declaration

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

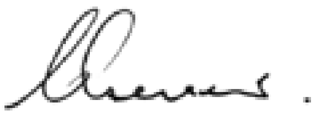
1 the financial statements and notes of the company as set out on pages 14 to 36 are in accordance with the Corporations Act 2001 and:

(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 2013 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.

This resolution is made in accordance with a resolution of the Board of Directors.



Colin Geldart
Director

Signed at Ormond on 27 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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INDEPENDENT AUDITOR'S 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 consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated entity comprising the company and the entities it controlled at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (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 about 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, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Ormond-McKinnon Community Enterprises Ltd, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. Note 1(b) "Going Concern' in the financial statements indicates the company recorded a loss after tax of $105,720 (2012: loss of $142,669). The directors have prepared a budget for the 2013/14 year which indicates a budgeted loss before tax of $74,523 will be recorded.

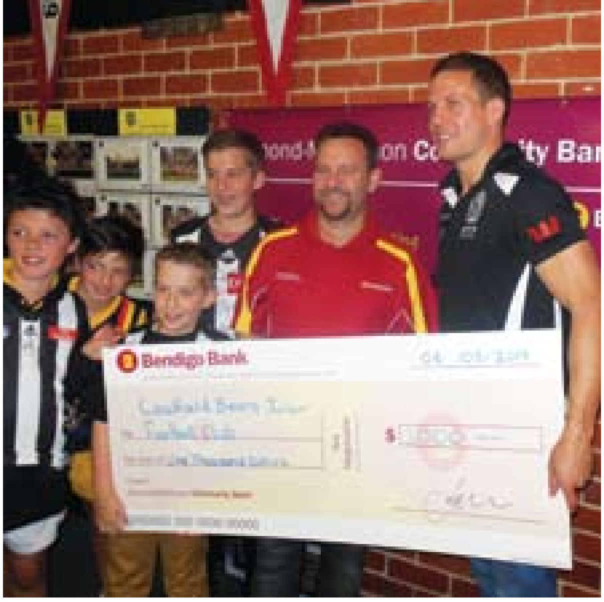
The directors have received a financial facility to assist with working capital requirements for the next twelve months. Without the financial facility, there is significant uncertainty whether Ormond-McKinnon Community Enterprise Ltd will continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner
Dated at Bendigo, 27 September 2013



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Phone: (03) 9576 8211
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www.bendigobank.com.au/ormond_mckinnon

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