Annual Report 2014

Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

Ormond-McKinnon **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2014

As interim Chairperson, I present this Annual Report for Ormond-McKinnon Community Enterprises Limited (OMCEL). The best way to describe the activities of the company over the reporting period is to say that conditions have remained challenging. However, following a reflective review by the Board in the last quarter, positive signs from a number of initiatives have started to emerge as OMCEL purses an improved financial performance from its banking business. In the first two months of the new financial year we have seen growth that puts us above the preceding 2013 financial footings.

Position of the company, as at 30 June 2014

The financial performance of the banking business, for the period 1 July 2013 to 30 June 2014, showed a decrease in business growth (total loans and deposits) from just over $45.0 million at 1 July 2013 to $44.95 million at 30 June 2014.

This decrease reflects a number of challenges faced throughout the financial year including a highly competitive market, general economic sentiment and personnel changes in the branch team that impact on business development. The company (OMCEL) made a loss of $106,310 for the year. This modest increase over last year’s loss of $105,270 is in line with the company’s plan to address increased costs while implementing new strategies for upward growth to improve the quantum of business and resultant income.

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

Community grants and sponsorships

The potency of the **Community Bank**® model is the real advantage of providing ongoing financial support to community groups and projects. I am pleased to report that, in the past 12 months, our company has provided a total of $19,920 to the following community groups in the form of sponsorships and grants. Distribution of the funds is considered on a range of factors including new financial business opened at the branch.

Proudly supporting the following groups:

Aurora Callisthenics	Ormond Amateur Football Club
Bentleigh RSL	Ormond Cricket Club
Caulfield Bears Football Club	Ormond Glenhuntly Baseball Club
Caulfield Bears Junior Football Club	Ormond Junior Football Club
Caulfield Community Toy Library	Ormond Netball Club
East Bentleigh Soccer Club	Ormond Tennis Club
Glen Eira McKinnon Bowls Club	St Anthony’s Primary School P&FA
Glen Eira SES	St Finbars Tennis Club
Glen Huntly Primary School	St Kevins Primary School P&FA
Katandra School	St Pauls McKinnon Junior Football
McKinnon Cricket Club	St Pauls Football Club
Melbourne Tigers Boys Junior Basketball	15th Brighton Scout Group

In June this year, the branch celebrated its fourth birthday with a free street BBQ outside the branch. Over our four years of operation, the company has reinvested nearly $60,000 back into our community groups, to support their worthwhile causes. These solid contributions are commendable and bring real benefit to the community.

The potential of the **Community Bank**® model to develop local communities has been clearly demonstrated. In its 15-year existence the model has returned $122.2 million to community groups and projects Australia-wide and $36.7 million in shareholder dividends. At a local level, during 2013/14 financial year, more than $1 million has been distributed within the Melbourne Eastern region alone.

Given the impact and community significance of the **Community Bank**® model, we ask our shareholders to please personally support the Ormond-McKinnon **Community Bank**® Branch. Our principle is to deliver win-win benefits, individually tailored financial package that improve your bottom line while providing ongoing support through reinvestment of company profits back into the community. This package offer is therefore extended to friends, family and business colleagues by making contact with the branch to discuss how our team might assist in an improved financial package.

Branch team

In November 2013, Kariyanna Johnson (Customer Service Officer) left her role to be closer to her family, and in February 2014, Melanie Eeles (Customer Relationship Manager) resigned to take up a position with Sandhurst Trustees. I take this opportunity to acknowledge the contribution that Kariyanna and Melanie made to the banking business, the branch and to the Board, with their overall support and dedication.

In the interim period, the Board acknowledges the extra special effort provided by Gail and Robyn for "business as usual" during a period of disruption. Your efforts continue to be much appreciated ay the Board.

After an extensive review process, we appointed Kylie Lee, in Jan 2014 and Irene Papazoglou, in June 2014, to the positions of Customer Service Officers. Kylie settled in so well to her new role that with the support and guidance of Branch Manager, Nick Colasante we promoted her to Customer Relationship Manager. With a full branch team, the Board is excited to report that branch activity has increased and we have received great positive feedback from customers. The Board is enthusiastic about moving forward with this team, who are displaying passion and interest in our customers, the community and the overall business model.

Board members

The Board welcomed five new Directors in November last year, Brad Slade, Rob Braun, Ian Mathieson, Elli Payne and James Koutsoukos. Regrettably, both Elli and James resigned as Directors due to personal issue, work commitments and interstate relocation.

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:

- Brad Slade 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.
- Jenny King coordinated our Community Engagement/Sponsorship Responsibility Group, as part of the Board's ongoing aim to educate the broader community about the **Community Bank**® model.
- Noel Will who coordinated the Culture, Personnel, and Environment Responsibility Group (CPERG) which includes the management of our building and assets.
- Kevin Davidson, who drove the Business Development Responsibility Group, and the development of initiatives to re-engage our shareholders and sponsorship groups.

- Rob Braun, for enthusiasm and efforts in the Culture, Personnel, and Environment Responsibility Group.
- Ian Mathieson, who has become our special projects coordinate with larger projects involving Glen Eira Council and localised **Community Bank**® branches.
- In the last few months, since the end of our financial year, we have appointed two new Directors, who will be presented for election by shareholders, at the Annual General Meeting (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 Geoff Gartly, Jenny King and Kevin Davidson, who will retire from the Board, at this year's AGM. The contributions of Geoff and Jenny during OMCEL's foundational years are greatly appreciated and they both played major roles in getting the Ormond-McKinnon **Community Bank**® Branch established. Thank you also to Kevin who made a significant contribution to business development initiatives and the re-engagement of our shareholders and sponsorship groups. On contemplation, they all can 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 prepare and audit our financial accounts. Thank you also to the Bendigo and Adelaide Bank Eastern Region staff – Brad Peel, Daniel Gabriel, Nick Rawlins, Sarah Caldere, Liz Edwards, Clyde Greene, Alex Crosara, Nick Excell, Sophie Swain, Michelle McDonald, and Janelle Wehsack, Sarah Caldere, Michelle Mason and Alex Crosara - who all provided invaluable support to us during this reporting year.

We have many new initiatives in place to develop business and improve our ongoing engagement with our shareholders and community groups. We anticipate that the implementation in the coming year will bring to fruition our desire to make this company a success into the future.

AJ French

Andrew French
Interim Chairperson

Manager's report

For year ending 30 June 2014

It is with pleasure that I submit my second report, as Branch Manager of the Ormond-McKinnon **Community Bank®** Branch since my appointment in April 2013.

The fourth full year of trading has now gone and it has been an exciting yet challenging time for all involved. The Ormond-McKinnon **Community Bank®** Branch is fortunate to now have four very capable and experienced staff who have formed a strong team bond and are a team committed to providing the standard of service for which Bendigo and Adelaide Bank is renowned. I would like to welcome staff members Kylie Lee and Irene Papazoglou who have joined our team during the financial year. A special thanks to Kylie Lee, our Customer Relationship Officer for her support. We believe our frontline team are better placed to take on the challenges ahead as we continue to strive for customer growth, new opportunities and profits.

In line with the Bendigo and Adelaide Bank's policies and procedures, we constantly and continually strive to improve our skills and knowledge, by participating in training courses, both internally and externally. We continue to develop our local knowledge and awareness as we heavily involve ourselves in many local community events.

The banking industry had another volatile year. It remains our focus and it is essential that we continue to meet the challenges ahead of us. I thank my team sincerely for their efforts to date, both at the branch and within our community and believe that we are and continue to strive to be excellent ambassadors for the Ormond-McKinnon **Community Bank®** Branch and our respective community.

The most rewarding aspect for the team is that they realise 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 and that customers are prepared to learn about the model.

From an operations aspect, business totaled $44.95 million, as at 30 June 2014, which represents a decrease of $52,000 during the 12 months reporting period. Branch customer activity continues to increase with account opening and client transactions while our ATM is used extensively by both our customers and other bank customers with an average of 2,800 transactions per month.

Deposit balances have continued to fluctuate markedly in line with the local economy, with this impacting on the growth in our business. Lending transactions continue to be difficult to attract.

Operational risk is always a major concern, with audits, operations, credit and internal system audit reviews - being undertaken in line with Bendigo and Adelaide Bank policy with procedures being in place at branch level to ensure all government regulations and requirements are being met.

Our specialised business partners are a valuable resource we continue to utilise when necessary to provide expertise for our business and wealth conscious customers. Our Business Banking Manager, Daniel Gabriel and other specialists in financial planning, transactional and electronic banking, trade/invoice financing are always available to ensure clients receive the best and most appropriate service and advice, based on their individual needs.

Our Business Banking Manager provides business clients with a suite of specialised business banking products and specialist expertise for larger complex business transactions. Our Financial Planners are qualified planners providing excellent advice and counseling in the financial arena.

I believe that many in our community are not fully aware of all of the products that we offer, both core and specialised products that are offered through most major financial institutions and in particularly those products outside the normal banking sphere including a full range of personal and business insurances that are all available. We continue to promote our full banking products and services at all opportunities.

Manager's report (continued)

The full benefits of having the Ormond-McKinnon **Community Bank**® Branch are yet to be realised compared to the benefits other communities in the area have gained from having a **Community Bank**® branch in their community. It is an ongoing opportunity that my team and I are clearly excited by as we see the potential benefits we believe we can achieve for the Ormond and McKinnon communities.

We will not and do not assume just because the branch is open with friendly, have professional staff and have 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, engaging our community groups and continuing to tell the **Community Bank**® branch's story, highlighting our point of difference. We are **Bigger than a bank**.

Finally, I would like to sincerely thank our Chairman, Andrew French, and the Directors of the Ormond-McKinnon Community Enterprises Limited Board for their support and assistance.

I look forward to another year of increased involvement and engagement in our community through which we will strive to achieve the goals of profit, shareholder dividends, and the increased ability to provide the Ormond and McKinnon communities with funds to spend in, and for, their own community.

Regards,

Nick Colasante
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors submit their report of the company for the financial year ended 30 June 2014.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Colin Geldart Appointed 2010 Director Resigned Nov 2013	Senior Fellow, Financial Services Institute of Australia (SF Fin)	48 years involvement in the Banking and Finance industry.Held numerous 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	30 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	Senior Fellow, Financial Services Institue Australia (SF Fin)	Extenside experience in Financial Services, problem solving. Former teacher and passionate Ormond resident.
Kevin Davidson Appointed 2011	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.
Brad Slade Appointed August 2013 Director Appointed 2013	Bachelor of Business Monash Chifley Business School MBA	Extensive experience in assisting listed and non listed SME's with providing financial advcice and support Director and consultant Blue Denim Corporate Pty Ltd.

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Andrew James French Appointed September 2012 Director Appointed 2012	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.
Ellie Payne Appointed September 2013		Resigned June 2014.
Ian Mathieson Appointed November 2013	Director Mathieson Nominees Pty Ltd	38 year experience in managing investment opportunities SME acquisitions and management.
James Koutsoukos Appointed August 2013	Liquidator	Resigned June 2014.
Robert Braun Appointed August 2013	University of Baltmore School of Law	Solicitor specialising in Construction Law and Trusts and Estates. Currenting formalising Law registrations for Australia.

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 $106,310 (2013 loss: $105,270), which is a decrease of 1% as compared with the previous year. The net assets of the company have decreased to $162,187 (2013: $268,497). 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.

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 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 2014. The estimated benefit per Director is as follows:

	2014
Colin Geldart (resigned November 2013)	250
Jennifer King	-
Geoffrey Gartly	-
Noel Will	-
Kevin Davidson	-
Brad Slade	-
Andrew James French	-
Ellie Payne (resigned June 2014)	-
Ian Mathieson	-
James Koutsoukos (resigned June 2014)	-
Robert Braun	-
	250

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.

Indemnifying Officers or Auditor (continued)

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

Director	Board meetings #	Audit Committee meetings #
Colin Geldart (resigned November 2013)	0 (4)	0 (1)
Jennifer King	10 (11)	N/A
Geoffrey Gartly	9 (11)	N/A
Noel Will	10 (11)	N/A
Kevin Davidson	8 (11)	N/A
Brad Slade	8 (9)	2 (2)
Andrew James French	10 (11)	2 (2)
Ellie Payne (resigned June 2014)	1 (8)	N/A
Ian Mathieson	7 (7)	N/A
James Koutsoukos (resigned June 2014)	6 (8)	1 (1)
Robert Braun	6 (9)	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.

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

Brad Slade was appointed Secretay in November 2013 replacing Noel Wills . Brad Slade is a multi-skilled professional with an extensive financial, management and compliance background working with listed companies and unlisted SME's

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 12 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 29 September 2014.

Andrew French
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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29 September 2014

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 2014 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.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	355,369	371,689
Employee benefits expense	3	(267,445)	(276,898)
Depreciation and amortisation expense	3	(37,647)	(36,477)
Finance costs	3	(13,537)	(9,969)
Bad and doubtful debts expense	3	(16)	(224)
Rental expense		(40,551)	(39,138)
Other expenses		(119,464)	(120,721)
Operating loss before charitable donations & sponsorships		**(123,291)**	**(111,738)**
Charitable donations and sponsorships		(19,010)	(23,629)
Loss before income tax expense		**(142,301)**	**(135,367)**
Tax benefit	4	(35,991)	(30,097)
Loss for the year		**(106,310)**	**(105,270)**
Total comprehensive income		**(106,310)**	**(105,270)**
Loss attributable to members of the company		(106,310)	(105,270)
Total comprehensive income attributable to members of the company		**(106,310)**	**(105,270)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(12.83)	(12.70)
- diluted for profit / (loss) for the year	21	(12.83)	(12.70)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	330	48
Trade and other receivables	7	31,294	28,333
Total current assets		**31,624**	**28,381**
Non-current assets			
Property, plant and equipment	8	263,513	279,147
Deferred tax asset	4	234,438	198,447
Intangible assets	9	20,222	42,222
Total non-current assets		**518,173**	**519,816**
Total assets		**549,797**	**548,197**
Liabilities			
Current liabilities			
Trade and other payables	10	25,859	21,734
Borrowings	11	354,597	245,907
Provisions	12	7,154	12,059
Total current liabilities		**387,610**	**279,700**
Total liabilities		**387,610**	**279,700**
Net assets		**162,187**	**268,497**
Equity			
Issued capital	13	811,128	811,128
Accumulated losses	14	(648,941)	(542,631)
Total equity		**162,187**	**268,497**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2014

	Note	Issued capital $	Accumulated losses $	Total equity $
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**
Balance at 1 July 2013		**811,128**	**(542,631)**	**268,497**
Total comprehensive income for the year		-	(106,310)	(106,310)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2014		**811,128**	**(648,941)**	**162,187**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from clients		387,940	384,510
Payments to suppliers and employees		(482,811)	(470,320)
Interest paid		(13,537)	(9,969)
Interest received		-	-
Net cash flows used in operating activities	**15b**	**(108,408)**	**(95,779)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	-
Net cash flows from/(used in) investing activities		**-**	**-**
Net decrease in cash held		**(108,408)**	**(95,779)**
Cash and cash equivalents at start of year		(245,859)	(150,080)
Cash and cash equivalents at end of year	**15a**	**(354,267)**	**(245,859)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

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 29 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2014 were $162,187 and the loss made for the year was $106,310, bringing accumulated losses to $648,941.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2015. The overdraft has an approved limit of $400,000 and was drawn to $351,597 as at 30 June 2014.

The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. The Directors will continue to review their growth forecast budget and cash flows throughout the 2014/15 year, and measure to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flow.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2014/15 financial year, and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on the above, and after making additional enquiries, 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.

(b) Income tax

The income tax income for the year comprises current income tax income and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax assets are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax income is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation

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

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

The 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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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.

Note 1. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

<u>Short-term employee benefits</u>

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

<u>Other long-term employee benefits</u>

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(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 and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (continued)

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) New and amended accounting policies adopted by the company

<u>Employee benefits</u>

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

<u>Fair value measurement</u>

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) New and amended accounting policies adopted by the company (continued)

Fair value measurement (continued)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(o) New accounting standards for application in future periods

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 and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) Loans and borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) 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.

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.

(r) 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.

(s) Comparative figures

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

(t) 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>Fair value assessment of non-current physical assets</u>

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

<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.

Note 1. Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements (continued)

Impairment

The company assesses impairment at the end of each reporting period by evaluating 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.

(u) 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 (i.e. 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.

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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

A financial asset (or group of financial assets) 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Impairment (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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.

	2014 $	**2013 $**

Note 2. Revenue and other income

Revenue		
- services commissions	349,440	371,689
	349,440	**371,689**
Other revenue		
- Sundry	5,929	-
Total Revenue	**355,369**	**371,689**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	241,715	249,232
- superannuation costs	21,447	20,582
- worker's compensation costs	483	811
- other costs	3,800	6,273
	267,445	**276,898**

Notes to the financial statements (continued)

	2014 $	2013 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	15,647	14,477
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	37,647	**36,477**
Finance costs:		
- Interest paid	13,537	9,969
Bad debts	16	224

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:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(42,690)	(40,610)
Add tax effect of:		
- Prior year under provision of tax	-	1,067
- Non-deductible expenses	6,699	9,446
Current income tax expense	**(35,991)**	**(30,097)**
Income tax attributable to the entity	**(35,991)**	**(30,097)**
The applicable weighted average effective tax rate is	25.29%	23.01%
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.	**234,438**	**198,447**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:		
- Audit or review of the financial report	**4,200**	**4,100**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**330**	**48**

	2014 $	2013 $

Note 7. Trade and other receivables

Current		
Trade debtors	27,215	24,291
Prepayments	4,079	4,042
	31,294	**28,333**

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.

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	
2014						
Trade receivables	27,215	-	-	-	-	27,215
Total	**27,215**	**-**	**-**	**-**	**-**	**27,215**
2013						
Trade receivables	24,291	-	-	-	-	24,291
Total	**24,291**	**-**	**-**	**-**	**-**	**24,291**

	2014 $	2013 $

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	319,328	319,328
Less accumulated depreciation	(57,340)	(43,516)
	261,988	**275,812**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

	2014 $	2013 $
Office equipment		
At cost	7,325	6,337
Less accumulated depreciation	(5,800)	(3,002)
	1,525	**3,335**
Total written down amount	**263,513**	**279,147**
Movements in carrying amounts		
Leashold improvements		
Balance at the beginning of the reporting period	275,812	289,265
Additions	-	-
Disposals	-	-
Depreciation expense	(13,824)	(13,453)
Balance at the end of the reporting period	**261,988**	**275,812**
Office equipment		
Balance at the beginning of the reporting period	3,335	4,358
Additions	988	-
Disposals	-	-
Depreciation expense	(2,798)	(1,023)
Balance at the end of the reporting period	**1,525**	**3,335**

Note 9. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(8,162)	(6,162)
	1,838	**3,838**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(81,616)	(61,616)
	18,384	**38,384**
Total Intangible assets	**20,222**	**42,222**

	2014 $	2013 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

	2014 $	2013 $
Franchise fee		
Balance at the beginning of the reporting period	3,838	5,838
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	**1,838**	**3,838**
Preliminary expenses		
Balance at the beginning of the reporting period	38,384	58,384
Additions	-	-
Disposals	-	-
Amortisation expense	(20,000)	(20,000)
Balance at the end of the reporting period	**18,384**	**38,384**

Note 10. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	1,961	6,365
Other creditors and accruals	23,898	15,369
	25,859	**21,734**

Note 11. Borrowings

	2014 $	2013 $
Bank overdraft	354,597	245,907
	354,597	**245,907**

The company has an overdraft facility in place for $400,000 from Bendigo and Adelaide Bank Limited and the annual percentage rate is 4.695% (2013: 5.104%). The overdraft is on normal terms and conditions.

Note 12. Provisions

	2014 $	2013 $
Employee benefits	**7,154**	**12,059**
Movement in employee benefits		
Opening balance	12,059	2,571
Amounts utilised / provided for during the year	(4,905)	9,488
Closing balance	**7,154**	**12,059**
Current		
Annual Leave	7,154	12,059
Total provisions	**7,154**	**12,059**

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

	2014 $	2013 $
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.

Note 13. Share capital (continued)

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 2014 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.

	2014 $	2013 $
Note 14. Accumulated losses		
Balance at the beginning of the reporting period	(542,631)	(437,361)
Profit/(loss) after income tax	(106,310)	(105,270)
Balance at the end of the reporting period	**(648,941)**	**(542,631)**

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

As per the statement of financial position	330	48
less Bank overdraft	(354,597)	(245,907)
As per the statement of cash flow	**(354,267)**	**(245,859)**

	2014 $	2013 $

Note 15. Statement of cash flows (continued)

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

	2014 $	2013 $
Profit / (loss) after income tax	(106,310)	(105,270)
Non cash items		
- Depreciation	15,647	14,477
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,961)	(11,412)
- (Increase) decrease in deferred tax asset	(36,004)	(30,097)
- Increase (decrease) in payables	4,125	5,035
- Increase (decrease) in provisions	(4,905)	9,488
Net cash flows from/(used in) operating activities	**(108,408)**	**(95,779)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft bill facility amounting to $400,000 (2013: $400,000). This may be terminated at any time at the option of the bank. At 30 June 2014, $351,597.18 of this facility was used (2013: $245,907). 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.

(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.

Note 16. Related party transactions (continued)

(c) Transactions with key management personnel and related parties (continued)

The Directors have estimated the total benefits received from the Directors Privilege Package to be $250 for the year ended 30 June 2014. The estimated benefits per Director is as follows:

	2014
Colin Geldart (resigned November 2013)	250
Jennifer King	-
Geoffrey Gartly	-
Noel Will	-
Kevin Davidson	-
Brad Slade	-
Andrew James French	-
Ellie Payne (resigned June 2014)	-
Ian Mathieson	-
James Koutsoukos (resigned June 2014)	-
Robert Braun	-
	250

(d) Key management personnel shareholdings

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

	2014	2013
Colin Geldart (resigned November 2013)	10,000	10,000
Jennifer King	5,001	5,001
Geoffrey Gartly	8,251	8,251
Noel Will	-	-
Kevin Davidson	10,000	10,000
Brad Slade	-	-
Andrew James French	-	-
Ellie Payne (resigned June 2014)	2,501	2,501
Ian Mathieson	-	-
James Koutsoukos (resigned June 2014)	-	-
Robert Braun	-	-

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.

Note 16. Related party transactions (continued)

(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 (2013: 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).

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

	2014 $	2013 $
Profit/(loss) after income tax expense	**(106,310)**	**(105,270)**
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.

	2014 $	2013 $

Note 23. Leases

	2014 $	2013 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- no later than 12 months	9,625	38,500
- between 12 months and 5 years	-	9,625
- greater than 5 years	.	.
	9,625	**48,125**

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance and annaul fixed increases each year. The lease has 2, 5-year options of extension.

Note 24. 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	2014 $	2013 $
Financial assets			
Cash & cash equivalents	6	330	48
Trade and other receivables	7	31,294	28,333
Total financial assets		**31,624**	**28,381**
Financial liabilities			
Trade and other payables	10	25,859	21,734
Bank overdraft	11	354,597	245,907
Total financial liabilities		**380,456**	**267,641**

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 24. 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.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**330**	**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 24. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	25,859	25,859	-	-
Loans and borrowings	11	354,597 *	354,597	-	-
Total expected outflows		**380,456**	**380,456**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	330	330	-	-
Trade and other receivables	7	31,294	31,294	-	-
Total anticipated inflows		**31,624**	**31,624**	**-**	**-**
Net (outflow)/inflow on financial instruments		**(348,832)**	**(348,832)**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
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 on financial instruments		**(239,260)**	**(239,260)**	**-**	**-**

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

(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.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

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

	2014 $	2013 $
Financial assets		
Cash and cash equivalents (net of bank overdrafts)	5.10%	5.10%

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 2014		
+/- 1% in interest rates (interest income)	(3,543)	(3,543)
	(3,543)	**(3,543)**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(2,459)	(2,459)
	(2,459)	**(2,459)**

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 13 to 39 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 2014 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.

Andrew French
Director

Signed at Ormond on 29 September 2014.

Independent audit report

Richmond Sinnott & Delahunty
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ORMOND-MCKINNON
COMMUNITY ENTERPRISES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Ormond-McKinnon Community Enterprises Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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.

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 Limited, 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 Limited 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 2014 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 modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $106,310 during the year ended 30 June 2014, further reducing the company's net assets to $162,187. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Dated at Bendigo, 29 September 2014

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