Annual Report 2015

Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

Ormond-McKinnon **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2015

As interim Chairperson, I present this Annual Report for Ormond-McKinnon Community Enterprises Limited (OMCEL). Working with the Bendigo Bank team, the Board's foremost goal throughout this reporting year was to pursue an improved financial performance from its banking business that was aligned with expectations and forecasts defined in our Company Prospectus. The Board reviewed all aspects of its business from the branch team, impacts of Project Horizon, new franchise agreement, Directors, restoring the balance, through to the management of our sponsorship groups. These reviews culminated in a May weekend workshop that developed a new strategic plan for OMCEL.

Position of the company, as at 30 June 2015

I am pleased to report that the 2014/15 reporting period has realised growth in our business on the books. To summarise, business growth (total loans and deposits) increased from just over $44.95 million at 1 July 2014 to $47.69 million at 30 June 2015. The company (OMCEL) is still being challenged with operational issues, outlook of the general economy and confidence of investors and made a loss of $119,205 for the year. The company is closely monitoring the increased costs of business and with the implementation of the new strategic plan we are starting to see the benefits of improved business income. In a following section of this report, you will see an outline of some outstanding results that have occurred for a number of reasons.

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

Community grants and sponsorships

The point-of-difference offered by the **Community Bank**® model is its fundamental ability to provide ongoing financial support to community groups and projects. In the past 12 months, our company has provided a total of $12,847 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
- Bentleigh RSL
- Caulfield Bears Football Club
- Caulfield Bears Junior Football Club
- Caulfield Community Toy Library
- East Bentleigh Soccer Club
- Glen Eira McKinnon Bowls Club
- Glen Eira SES
- Glen Huntly Primary School
- Katandra School
- McKinnon Cricket Club
- Melbourne Tigers Boys Junior Basketball
- Ormond Amateur Football Club
- Ormond Cricket Club
- Ormond Glenhuntly Baseball Club
- Ormond Junior Football Club
- Ormond Netball Club
- Ormond Tennis Club
- St Anthony's Primary School P&FA
- St Finbars Tennis Club
- St Kevins Primary School P&FA
- St Pauls McKinnon Junior Football
- St Pauls Football Club
- 15th Brighton Scout Group

Chairman's report (continued)

It is worth noting that the Board reviewed its sponsorship portfolio in-line with Project Horizon, a new model that will govern our return on investment going forward. Project Horizon provides an important review and adjustment to the **Community Bank**® model that began over 18 years ago. With the new model comes additional tools and powerful insights into how we manage the company's ability to contribute sustainably to the greater good in our communities.

This year, the branch celebrated its fifth birthday in combination with a welcome to the new Branch Manager, free street BBQ outside the branch. In our five years of operation, the company has reinvested nearly $73,000 back into our community groups, to support their worthwhile causes. These solid contributions are both commendable and bring real benefit to the community.

A particular noteworthy contribution for OMCEL this year, is the partnership and equal support from Bendigo Bank of $10,000 to become a major sponsor of the recently installed electronic scoreboard at the E.E. Gunn Reserve with ongoing benefit to three tenant clubs. This is one of OCMEL's largest investments in the community and our efforts have been rewarded with a positive impact from the local community and new business at the branch.

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

Branch team

In February this year, Nick Colasante resigned as Branch Manager. I take this opportunity to publicly acknowledge the contribution and dedication that Nick made to the company, the business, the branch and to the Board, during a particularly challenging period relating to the general economy and confidence of investors. In January this year, Irene Papazoglou resigned so that she could focus full time on her legal studies. In the six months Irene was at the branch, the Board received positive feedback to her support and dedication. On behalf on the Board, I thank her for her contribution to the banking business, the branch and to the Board, and wish her every success with her studies

In the interim period, the Board acknowledges the extra special effort provided by Kylie, Gail and Robyn for "business as usual" during a period of disruption. Your efforts continue to be much appreciated ay the Board. The Board also acknowledges the secondment of Lawrence Longato (Business Development Manager) from Bendigo Bank to the branch.

In March we appointed Michelle Canterford as the new Customer Service Officer and after an extensive review process, Annalise Hewitt was appointed Branch Manager in April.

It is fair to say that the appointment of Annalise and her working with Lawrence has been a breath-of-fresh-air and the Board recognises and acknowledges some spectacular results in the last five months. In fact, by the end of September it almost certain that the business will have grown to over $60 million. The effect of this in terms of the banking business, and on the Board has been simply amazing.

Our performance remains closely tied to the quality of our staff and the provision of exceptional banking service. This will remain the backbone of our success and will drive continued growth and underpin what we can achieve together.

Chairman's report (continued)

Board members

The Board welcomed two new Directors in November last year, Kate Jackson and Anne Stuart. In November, Ian Mathieson resigned from the Board. On behalf of the company, I acknowledged the contribution and effort Ian made to representation the OMCEL Board at special projects meetings with Glen Eira Council and other localised **Community Bank**® branches. In May of this year, we welcome Colin Geldart back to the Board after an extended leave and he immediately settled into managing our sponsorship groups.

Your Board met on a monthly basis, during the financial year, and all Directors continue to apply their focus and energies 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.
- Kate Jackson and Anne Stuart combined in the critical role of Company Treasurer, which is a demanding position, requiring adherence to responsibility, accuracy and timeliness.
- Colin Geldart coordinated and revamped our Community Engagement and 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.
- Rob Braun, for enthusiasm and efforts in the Culture, Personnel and Environment Responsibility Group.

In the last few month, a new strategic plan, a new Branch Manager, and importantly a budget forecast that in the very near future will see revenue for the first time exceed costs, the Board will be seeking to capitalise on this exciting opportunity and seek new Directors to add extra capacity, new skills and expertise to help grow our business. Please speak to one of the existing Board members if you can assist.

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 Bradley Peel, Michelle Mason, Sarah Caldere, Alex Crosara, Liz Edwards, Clyde Greene, Chavaune Evans, Jane Turner and Phil Jones - who all provided invaluable support to the company during this reporting year.

In line with keeping-it-fresh, the improved financial positon in terms of seeing a reduction, for the first time, in the overdraft and that I have been in this position for three years, it is time for me to transition out of the role and from the Board to appoint a new Chairperson to drive impetus and success in the next important cycle for the company.

A French

Andrew French
Interim Chairperson

Manager's report

For year ending 30 June 2015

At Ormond-McKinnon **Community Bank**® Branch we care about our customers, we listen to their needs, we offer relevant products and services to benefit them and we go above and beyond to ensure our customers are satisfied. This trust is aligned with Bendigo Bank's vision is to be Australia's most customer-connected banking group.

Over the past 12 months, Bendigo Bank has made huge investments into the technology of banking with constant upgrades to mobile banking to keep up with the ever-changing consumer behaviour. For example, customers are now able to open accounts online and are also able to apply for credit cards online.

Whilst we know that more and more of our customers are choosing to complete their banking online rather than in branch, at Ormond-McKinnon **Community Bank**® Branch we have seen an increase of teller transactions up 5% compared to the previous financial year, and also an increase in customer numbers by 28%.

With each new year there comes a different set of challenges; how we meet these challenges determines the success of any business.

I joined the team as Branch Manager in April 2015 and it is has been a challenging but rewarding few months, with some great results being achieved. The branch ended the financial year with $19,996 million on our lending book ($12.7 million in 2014) and $28 million in deposits.

Much of the lending growth has been achieved since I took up my position with the excellent help of Lawrence Longato (Business Development Manager) and has continued to increase since the end of financial year. For example, our lending book is currently sitting at just under $30 million at the end of August 2015 and there is more in the pipeline.

Our team of dedicated staff are Gail Walsh, Michelle Canterford, Robyn McKenna, and Kylie Lee who left us in June and was recently replaced by Jennifer Christie.

The staff at Ormond-McKinnon **Community Bank**® Branch have put in a concerted effort over recent months to up skill and increase their knowledge to better service our customers.

In addition to our fantastic team we also have specialist assistance for other banking services such as our wealth consultants, our business banking team to assist with our commercial customers and also our regional support staff.

It is very exciting to be a part of this growing business, but it is the flow on effect to our community that is really the key. We have continued to build on our partnerships with our community groups throughout the year and we expect this to grow continuously in the coming years. The difference the **Community Bank**® branch makes to local community groups is very rewarding and all the stakeholders in the in the Ormond-McKinnon **Community Bank**® Branch can feel justifiably proud of the positive impact we are making in our local community. Many local residents have commented favourably on the new electronic scoreboard that was erected late in 2014 at the E.E. Gunn Reserve at Ormond – the Ormond-McKinnon **Community Bank**® Branch is the major sponsor of this scoreboard facility which is in operation year-round for the benefit of the players and supporters of the three tenant clubs of the ground. I am very encouraged by my first few months at the Ormond-McKinnon **Community Bank**® Branch and I am looking forward to growing the business significantly in the next financial year with the support of our community and the continued dedication of our branch team and Bendigo Bank specialists.

Annalise Hewitt
Branch Manager

Directors' report

For the financial year ended 30 June 2015

Your Directors submit their report of the company for the financial year ended 30 June 2015.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Andrew James French Appointed September 2012 Director & Chair	B.Ag. Sc (Hons) Ph.D.	Has held Senior Executive Roles and been a Medical and Life Sciences Consultant. Australia Agribiotech Pty Ltd – Director and Secretary Involved in other local and sporting organisations at a Board level.
Brad Slade Appointed August 2013 Director & Company Secretary	Bachelor of Business MBA (In progress) Australian Institute of Company Directors	Extensive experience in finance, company secretarial and compliance background developed through working closely with a number of Boards, committees and executives of ASX listed companies and unlisted small and medium enterprises (SME).
Kathryn Elizabeth Jackson Appointed September 2014 Director	Advanced Diploma of Accounting Institute of Public Accountants	More than 15 years of administration, accounting and tax compliance experience gained through various roles as a consultant and employee. Local business owner in Ormond.
Anne Mary Stuart Appointed September 2014 Director	Bachelor of Business - Accounting CPA Australia	More than 20 years of administration, accounting and tax compliance experience gained through various roles as a consultant and employee. Local business owner in Ormond.
Noel Will Appointed 2010 Director	Bachelor of Education Graduate Diploma in Marketing Diploma in Financial Planning	Extensive experience in Financial Services, problem solving. Former teacher and passionate Ormond resident.
Robert Braun Appointed August 2013 Director	Bachelor of Arts Juris Doctor Maryland State Bar	An accomplished litigator, who also has extensive experience administering trusts and estates. Successfully joined the Victoria Bar in 2015.

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Colin Geldart Appointed May 2015 Director	Senior Fellow, Financial Services Institute of Australia (SF Fin)	Appointed to fill a casual vacancy in May 2015, having previously served on the Board from 2010 to 2013. 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 Resigned Nov 2014	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 Resigned Nov 2014	Bachelor of Business Monash Institute of Chartered Accountants	25 years in Public Practice as an Accountant Gartly & Associates Pty Ltd. Held numerous positions in other community organisations. Presently Treasurer of Ormond Traders Association.
Kevin Davidson Appointed 2011 Director Resigned Nov 2014	Assoc Dip Electronics & & communications eng	Experience in sales leadership, strategy & business development, and implementation of quality systems. Director of the Board Rotary Club of Bentleigh Moorabbin Central.
Ian Mathieson Appointed November 2013 Director Resigned February 2015	Matriculation	Initially worked in the accounting and computer fields before operating and owning various businesses. Involved in many 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 $119,205 (2014 loss: $106,310), which is a increase of 12% as compared with the previous year.

The net assets of the company have decreased to $42,982 (2014: $162,187). The decrease is largely due to loss made by the entity 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 the end of the reporting period

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 $Nil for the year ended 30 June 2015. The estimated benefit per Director is as follows:

	2015 $
Andrew James French	-
Brad Slade	-
Kathryn Elizabeth Jackson	-
Anne Mary Stuart	-
Noel Will Appointed 2010 Director	-
Robert Braun Appointed August 2013 Director	-
Colin Geldart Appointed May 2015	-
Jennifer King Resigned Nov 2014	-
Geoffrey Gartly Resigned Nov 2014	-
Kevin Davidson Resigned Nov 2014	-
Ian Mathieson Resigned February 2015	-
	-

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 was 9. Attendances by each Director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Andrew James French	8 (9)	1 (1)
Brad Slade	7 (9)	2 (2)
Kathryn Elizabeth Jackson	7 (7)	N/A
Anne Mary Stuart	7 (7)	N/A
Noel Will Appointed 2010 Director	7 (9)	N/A
Robert Braun Appointed August 2013 Director	7 (9)	N/A
Colin Geldart	2 (2)	N/A
Jennifer King	4 (4)	N/A
Geoffrey Gartly	4 (4)	1 (1)
Kevin Davidson	3 (4)	N/A
Ian Mathieson	1 (5)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

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.

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.

Directors' report (continued)

Company Secretary

Brad Slade was appointed the Company Secretary in November 2013.

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 11 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 October 2015.

AJ French

Andrew James French
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Ormond-McKinnon Community Enterprises Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated at Bendigo, 27 October 2015

Financial statements

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

	Note	2015 $	2014 $
Revenue	2	347,859	355,369
Employee benefits expense	3	(287,519)	(267,445)
Depreciation and amortisation expense	3	(31,438)	(37,647)
Finance costs	3	(18,759)	(13,537)
Bad and doubtful debts expense	3	(866)	(16)
Rental expense		(42,173)	(40,551)
Other expenses	3	(112,252)	(119,464)
Operating loss before charitable donations & sponsorships		**(145,148)**	**(123,291)**
Charitable donations and sponsorships		(13,870)	(19,010)
Loss before income tax expense		**(159,018)**	**(142,301)**
Tax benefit	4	(39,813)	(35,991)
Loss for the year		**(119,205)**	**(106,310)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(119,205)**	**(106,310)**
Total comprehensive income attributable to:			
Members of the company		-	-
Total		**(119,205)**	**(106,310)**
Earnings per share (cents per share)			
- basic earnings per share	22	(14.38)	(12.83)

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	1,397	330
Trade and other receivables	7	17,139	31,294
Total current assets		**18,536**	**31,624**
Non-current assets			
Property, plant and equipment	8	252,297	263,513
Deferred tax assets	13	274,251	234,438
Intangible assets	9	-	20,222
Total non-current assets		**526,548**	**518,173**
Total assets		**545,084**	**549,797**
Liabilities			
Current liabilities			
Trade and other payables	10	12,960	25,859
Borrowings	11	476,373	354,597
Provisions	12	12,769	7,154
Total current liabilities		**502,102**	**387,610**
Total liabilities		**502,102**	**387,610**
Net assets		**42,982**	**162,187**
Equity			
Issued capital	14	811,128	811,128
Accumulated losses	15	(768,146)	(648,941)
Total equity		**42,982**	**162,187**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2013		**811,128**	**(542,631)**	**268,497**
Loss for the year		-	(106,310)	(106,310)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(106,310)**	**(106,310)**
Transactions with owners, in their capacity as owners		**-**	**-**	**-**
Dividends paid or provided	23	-	-	-
Balance at 30 June 2014		**811,128**	**(648,941)**	**162,187**
Balance at 1 July 2014		**811,128**	**(648,941)**	**162,187**
Loss for the year		-	(119,205)	(119,205)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(119,205)**	**(119,205)**
Transactions with owners, in their capacity as owners		**-**	**-**	**-**
Dividends paid or provided	23	-	-	-
Balance at 30 June 2015		**811,128**	**(768,146)**	**42,982**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from clients		360,943	387,940
Payments to suppliers and employees		(463,964)	(482,811)
Interest paid		-	(13,537)
Other income		1,071	-
Borrowing costs		(18,759)	-
Net cash flows used in operating activities	**16b**	**(120,709)**	**(108,408)**
Net decrease in cash held		**(120,709)**	**(108,408)**
Cash and cash equivalents at start of year		(354,267)	(245,859)
Cash and cash equivalents at end of year	**16a**	**(474,976)**	**(354,267)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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 27 October 2015.

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.

<u>Economic dependency</u>

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;
- Methods and procedures for the sale of products and provision of services;

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- 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 2015 were $42,982 and the loss made for the year was $119,205, bringing accumulated losses to $768,146.

The company has incurred losses throughout its development phase. The directions are of the view that the operations of the company have now reached a turning point. Investment and loan footing, on which the company earns its income, have grown substantially (40%) during the 2015 calendar year to the date of this report. As a consequence, the Directors believe the company will be cashflow neutral in 2015/16, and profitable in the following year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2016. The overdraft has an approved limit of $500,000 and was drawn to $476,373 as at 30 June 2015. Negotiations are underway to increase this to $550,000.

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 2015/16 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 2015/16 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.

The assets of the company include the deferred tax asset of $274,251 which represents the future tax benefit arising from tax losses to date. The Directors have reviewed the carrying value of this asset and, believing the company will incur taxable profits from 2016/17, have formed the view that no impairment of the carrying value of the asset is required.

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.

Note 1. Summary of significant accounting policies (continued)

(b) Income tax (continued)

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure 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 closest 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.

(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.

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 in profit or loss. 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)

Plant and equipment (continued)

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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%
Office equipment	7.5% - 35 %

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. 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.

(g) 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.

(h) Employee benefits

Short-term employee benefits

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.

The company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets and franchise fees

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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) 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.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any 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).

(l) 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.

(m) 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.

(n) Borrowing costs

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

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

(p) 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:

Note 1. Summary of significant accounting policies (continued)

(p) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

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.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

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 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

"The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied."

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(q) Loans and borrowings

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

(r) 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.

Note 1. Summary of significant accounting policies (continued)

(s) 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.

(t) Comparative figures

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

(u) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges 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.

Fair value assessment of non-current physical assets

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.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

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.

Note 1. Summary of significant accounting policies (continued)

(v) 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. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(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.

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.

Note 1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Impairment (continued)

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

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.

	2015 $	2014 $

Note 2. Revenue and other income

Revenue		
- services commissions	346,558	349,440
	346,558	**349,440**
Other revenue		
- Sundry	1,301	5,929
Total revenue	**347,859**	**355,369**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	242,473	241,715
- superannuation costs	22,425	21,447
- worker's compensation costs	951	483
- other costs	21,670	3,800
	287,519	**267,445**
Depreciation of non-current assets:		
- plant and equipment	11,216	15,647
Amortisation of non-current assets:		
- intangible assets	20,222	22,000
	31,438	**37,647**

	2015 $	2014 $
Note 3. Expenses (continued)		
Finance costs:		
- Interest paid	18,759	13,537
Bad debts	866	16
Other expenses		
- consultancy	5,000	-
- insurance	11,236	11,365
- printing and stationery	7,428	7,992
- IT equipment Lease	14,013	15,103
- IT running costs	8,755	8,755
- IT support costs	10,973	10,801
- electricity and gas	4,272	6,657
- repairs and maintenance	2,840	3,018
- rates	2,613	2,729
- telephone	4,431	5,278
- marketing	6,250	8,123
- other costs	34,441	39,643
	112,252	**119,464**

Note 4. Tax expense

	2015 $	2014 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	-	-
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	-	**-**
b. 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% (2014: 30%)	(47,705)	(42,690)
Add tax effect of:		
- Prior year under provision of tax	-	-
- Non-deductible expenses	7,892	6,699
Current income tax expense	**(39,813)**	**(35,991)**
Income tax attributable to the entity	**(39,813)**	**(35,991)**

Notes to the financial statements (continued)

	2015 $	2014 $
Note 4. Tax expense (continued)		
The applicable weighted average effective tax rate is	25.04%	25.29%

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**4,900**	**4,200**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**1,397**	**330**

Note 7. Trade and other receivables

Current

Trade receivables	16,827	27,215
Prepayments	312	4,079
	17,139	**31,294**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2015						
Trade receivables	16,827	-	-	-	-	16,827
Total	**16,827**	**-**	**-**	**-**	**-**	**16,827**
2014						
Trade receivables	27,215	-	-	-	-	27,215
Total	**27,215**	**-**	**-**	**-**	**-**	**27,215**

Note 8. Property, plant and equipment

	2015 $	2014 $
Leasehold improvements		
At cost	319,328	319,328
Less accumulated depreciation	(69,099)	(57,340)
	250,229	**261,988**
Office equipment		
At cost	7,325	7,325
Less accumulated depreciation	(5,257)	(5,800)
	2,068	**1,525**
Total written down amount	**252,297**	**263,513**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	261,988	275,812
Depreciation expense	(11,759)	(13,824)
Balance at the end of the reporting period	**250,229**	**261,988**
Office equipment		
Balance at the beginning of the reporting period	1,525	3,335
Additions	-	988
Depreciation expense	543	(2,798)
Balance at the end of the reporting period	**2,068**	**1,525**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 9. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(8,162)
	-	**1,838**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(81,616)
	-	**18,384**
Total Intangible assets	**-**	**20,222**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	1,838	3,838
Amortisation expense	(1,838)	(2,000)
Balance at the end of the reporting period	**-**	**1,838**
Preliminary expenses		
Balance at the beginning of the reporting period	18,384	38,384
Amortisation expense	(18,384)	(20,000)
Balance at the end of the reporting period	**-**	**18,384**

Note 10. Trade and other payables

	2015 $	2014 $
Current		
Unsecured liabilities:		
Trade creditors	12,960	1,961
Other creditors and accruals	-	23,898
	12,960	**25,859**

The average credit period on trade and other payables is one month.

Note 11. Borrowings

	2015 $	2014 $
Bank overdraft	476,373	354,597
	476,373	**354,597**

The company has an overdraft facility in place for $500,000 from Bendigo and Adelaide Bank Limited and the annual percentage rate is 4.705% (2014: 4.695%). The overdraft is on normal terms and conditions.

	2015 $	2014 $

Note 12. Provisions

Employee benefits	**12,769**	**7,154**
Movement in employee benefits		
Opening balance	7,154	12,059
Amounts utilised / provided for during the year	5,615	(4,905)
Closing balance	**12,769**	**7,154**
Current		
Annual leave	12,769	7,154
Total provisions	**12,769**	**7,154**

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.

	2015 $	2014 $

Note 13. Tax balances

(a) Tax assets		
Current		
Income tax receivable	-	-
	-	**-**
Non-current		
Deferred tax asset comprises:		
Tax losses carried forward		
- Unused tax losses	274,251	234,438
	274,251	**234,438**

	2015 $	2014 $
Note 13. Tax balances (continued)		
(b) Tax liabilities		
Current:	-	-
Income tax payable	-	-
	-	**-**

Note 14. Share capital

828,860 Ordinary Shares fully paid	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 company 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 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.

	2015 $	2014 $

Note 15. Accumulated losses

Balance at the beginning of the reporting period	(648,941)	(542,631)
Profit/(loss) after income tax	(119,205)	(106,310)
Balance at the end of the reporting period	**(768,146)**	**(648,941)**

Note 16. 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	1,397	330
less Bank overdraft	(476,373)	(354,597)
As per the statement of cash flow	**(474,976)**	**(354,267)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	(119,205)	(106,310)
Non cash flows in profit		
- Depreciation	11,216	15,647
- Amortisation	20,222	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	14,155	(2,961)
- (Increase) decrease in deferred tax asset	(39,813)	(36,004)
- Increase (decrease) in payables	(12,899)	4,125
- Increase (decrease) in provisions	5,615	(4,905)
Net cash flows from/(used in) operating activities	**(120,709)**	**(108,408)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft bill facility amounting to $400,000 (2014: $400,000). This may be terminated at any time at the option of the bank. At 30 June 2015, $476,373 of this facility was used (2014: $354,597). Variable interest rates apply to the overdraft facilities.

Note 17. 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.

Notes to the financial statements (continued)

Note 17. 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 $Nil for the year ended 30 June 2015. The estimated benefits per Director is as follows:

	2015 $
Andrew James French	-
Brad Slade	-
Kathryn Elizabeth Jackson	-
Anne Mary Stuart	-
Noel Will Appointed 2010 Director	-
Robert Braun Appointed August 2013 Director	-
Colin Geldart	-
Jennifer King	-
Geoffrey Gartly	-
Kevin Davidson	-
Ian Mathieson	-
	-

Note 17. Related party transactions (continued)

(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:

	2015	2014
Andrew James French	-	-
Brad Slade	-	-
Kathryn Elizabeth Jackson	-	-
Anne Mary Stuart	-	-
Noel Will Appointed 2010 Director	-	-
Robert Braun Appointed August 2013 Director	-	-
Colin Geldart	10,000	10,000
Jennifer King	5,001	5,001
Geoffrey Gartly	8,251	8,251
Kevin Davidson	10,000	10,000
Ian Mathieson	-	-

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 18. 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 19. Contingent liabilities and contingent assets

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

Note 20. 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 (2014: 100%).

Note 21. Company details

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

	2015 $	2014 $
Note 22. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares). There were no options or preference shares on issue during the year.		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Loss after income tax expense	**(119,205)**	**(106,310)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**828,860**	**828,860**

Note 23. Dividends paid or provided for on ordinary shares

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

	2015 $	2014 $
Note 24. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position		
Payable - minimum lease payments		
- no later than 12 months	-	9,625
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	-	**9,625**

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, short-term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2015 $	2014 $
Financial assets			
Cash & cash equivalents	6	1,397	330
Trade and other receivables	7	17,139	31,294
Total financial assets		**18,536**	**31,624**
Financial liabilities			
Trade and other payables	10	12,960	25,859
Bank overdraft	11	476,373	354,597
Total financial liabilities		**489,333**	**380,456**

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 main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, 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.

Credit risk exposures

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 has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2014: 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.

	2015 $	2014 $
Cash and cash equivalents:		
A rated	1,397	330

(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:

30 June 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	10	12,960	12,960	-	-
Loans and borrowings	11	476,373 *	476,373	-	-
Total expected outflows		**489,333**	**489,333**	**-**	**-**
Financial Assets - cash flows realisable					
Cash & cash equivalents	6	1,397	1,397	-	-
Trade and other receivables	7	17,139	17,139	-	-
Total anticipated inflows		**18,536**	**18,536**	**-**	**-**
Net Outflow on financial instruments		**(470,797)**	**(470,797)**	**-**	**-**

Note 25. 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 for payment					
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 - cash flows 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 on financial instruments		**(348,832)**	**(348,832)**	**-**	**-**

* 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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rate will affect future cash flows or the fair value of fixed rate financial intruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

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.

Note 25. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(4,708)	(4,708)
	(4,708)	**(4,708)**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(3,543)	(3,543)
	(3,543)	**(3,543)**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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, as set out on pages 12 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 2015 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 27 October 2015.

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 2015, 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 2015 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 $119,205 during the year ended 30 June 2015, further reducing the company's net assets to $42,982. 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, 27 October 2015

Ormond-McKinnon **Community Bank®** Branch
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(BMPAR15084) (08/15)

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