



# Annual Report 2016

Ormond-McKinnon Community  
Enterprises Limited

ABN 62 131 468 703

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# Chairman's report

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For year ending 30 June 2016

As Chairman of Ormond-McKinnon Community Enterprises Limited (OMCEL), I have pleasure in presenting the 2016 Annual Report.

I was appointed at the beginning of June as a Director and Chairman of the Board having worked as a **Community Bank**<sup>®</sup> Advisor with Bendigo **Community Bank**<sup>®</sup> Company Boards at Seddon, Flemington, Wantirna and Aspendale Gardens.

I would like to recognise the hard work and ongoing dedication provided by the past Chairman Andrew French who remains as a Director on the Board and thank him for supporting me in the transition.

## **The Board**

Firstly I would like to thank the commitment and efforts of the current Board members in Andrew French, Brad Slade and Colin Geldart. These Directors have been able to both support the branch in its year of growth whilst ensuring that the company fulfils its compliance obligations, develops its growth strategies and provides a solid platform from which we can build the Board.

I would also like to take the opportunity to thank and recognise the Directors that stepped down during the year in Kathryn Jackson, Anne Stuart, Noel Will and Robert Braun. The role of a volunteer **Community Bank**<sup>®</sup> company Director requires time, commitment and passion and everyone who takes on the position provides a valuable role helping to build a business that will provide local community funding and resilience.

## **The Financials**

The financial year to 30 June 2016 saw significant growth in revenue from \$347,859 to \$507,190 a massive 46% growth for the year. With costs kept under control this resulted in an operating pre-tax loss of \$43,843 (2015 loss \$159,018).

## **The Branch**

The key to any successful business is the people you employ, and this has been proven through the engagement of our Branch Manager, Annalise Hewitt. This year Ormond McKinnon **Community Bank**<sup>®</sup> Branch won the 'Regional 2016 General Insurance Award' and the '2016 Regional Business of the Year Award'. At the same time Annalise won the '2016 Regional Manager's Award' for her hard work in turning the branch around.

With the assistance of Lawrence Longato (Business Development Manager) the branch grew the business on the books (total loans and deposits) from \$48 million at 1 July 2015 to \$70 million at 30 June 2016. This significant result translated to the significant revenue growth detailed above. It is also very important to acknowledge the whole team at the branch; Annalise, Gail, Michelle, Angela and Jennifer, well done everyone, keep up the great work!

## **The next 12 months**

Following on from the great work at the branch, the following 12 months will build on the solid work already started.

The Board will be strengthened with new Directors sought and identified from the community. Also available to those who are interested are committee member roles within each of three committees; The Community Engagement Committee looks after the engagement of the community company within the community, including marketing, communication and engagement, sponsorships and grants, business development; The Finance Audit and Risk Committee considers the legal requirements and the running of the company; The People Performance and Governance Committee looks after the staffing of the branch and the governance of the committees and Board.

Committees are a great place to learn about the role of the Company Director and will be a starting point for any potential OMCEL Director.

## Chairman's report (continued)

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The engagement of the Board within the community will also be a focus. In June 2017 there are plans to run a Community Pitch event which engages the business community and local community projects and programs, watch this space.

Maintaining a good working relationship with our key partner in Bendigo Bank is imperative to the success of the company. We must give a huge thank you to Bendigo Bank Regional Manager Brad Peel who provided great support to the company, but has moved to another region. We are delighted, however, that Bendigo Bank has invested in its front line staff with two Regional Managers put in place, one looking after the company and the other looking after the branch. This enables more focused and specialised expertise to assist the branch to grow the business and the Board to develop its strategies. Another big thank you goes to Bendigo Bank Advisor, Dennis Tarrant who continues to provide support to the Board and to Annalise at the branch. With a support team in place it is a great platform to continue to build the branch business and develop the Boards key strategies into the next 12 months.



**Andy Moutray-Read**  
**Chairman**

# Manager's report

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For year ending 30 June 2016

Over the last 12 months we have seen an increase across all aspects of the business with customer numbers increasing to 1,654 which was an increase by approximately 200 customers compared to this time last year. We also had a growth in lending and deposits which resulted in our total footings growing to \$70 million.

On the Insurance front we protected 131 of our customers against a target of 72, which is the highest result this branch has ever achieved.

The above results saw the branch win numerous awards at our recent celebration evening.

The branch received three awards, the insurance award which was the highest insurance sales for the region, 'Branch of the Year' and I also received the 'Regional Manager's Award'.

Whilst we have seen a slight decrease in teller transactions over-the-counter for the last financial year we are ensuring we are staying connected with our customers by out of branch visits, phone calls and via email.

I would expect with the technology of online banking continually improving and being able to do more and more things online such as open accounts, applying for loans etc that we will continue to see a slight downturn in over the counter transactions in the coming year.

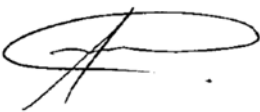
Our team of dedicated staff are Gail Walsh, Michelle Canterford, Angela Speranza and Jennifer Christie.

The staff at Ormond- McKinnon **Community Bank**<sup>®</sup> Branch have put in a concerted effort over the last financial year to continue to increase their skills and knowledge to ensure we are continually providing outstanding service and looking after all of our customers' needs.

In addition to our branch team we also have access to a range of specialist advisors from Bendigo Bank which includes Business Banking Specialists and Financial Advisors.

We have also recently celebrated reaching an exciting milestone of contributing \$100,000 back to the local community.

For all of our shareholders I encourage you to pop into the branch and support your local **Community Bank**<sup>®</sup> branch, we can assist you with all of your banking needs. We look forward to seeing you in the branch.



**Annalise Hewitt**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

## Directors

The following persons were Directors of Ormond-McKinnon Community Enterprises Limited during or since the end of the financial year up to the date of this report:

### **Andrew Moutray-Read - Chairperson**

Experience, expertise and special responsibilities.

Appointed to fill a casual vacancy in June 2016, to fill the role of Chairman being vacated by Andrew French.

Andrew has been involved in the **Community Bank**<sup>®</sup> network since 2006 and has held the position of Director and Chairman in a number of **Community Bank**<sup>®</sup> branches.

Appointed 1 June 2016.

### **Andrew James French - B.Ag. Sc (Hons) Ph.D.**

Experience, expertise and special responsibilities.

Andrew has held several senior executive roles and been a medical and life sciences consultant. Andrew is involved in other local and sporting organisations at a Board level, and is the current Director and secretary of Australia Agribiotech Pty Ltd.

Resigned as Chairman effective 1 June 2016.

### **Brad Slade - Secretary - Bachelor of Business, MBA (in progress), Australian Institute of Company Directors**

Experience, expertise and special responsibilities.

Brad has extensive experience in finance, company secretarial and compliance developed through working closely with a number of Boards, committees and executives of ASX listed companies and unlisted small and medium enterprises (SME).

### **Colin Geldart - Senior Fellow, Financial Services Institute of Australia (SF Fin)**

Experience, expertise and special responsibilities.

Colin was appointed to fill a casual vacancy in May 2015, having previously served on the Board from 2010-2013. Colin has had 48 years involvement in the Banking and Finance industry, and has held numerous Boards with other organisation over last 10 years.

### **Kathryn Elizabeth Jackson - Advanced Diploma of Accounting, Institute of Public Accountants**

Experience, expertise and special responsibilities.

Kathryn has more than 16 years of administration, accounting and tax compliance experience gained through various roles as a consultant and employee, and is an Ormond local business owner.

Resigned 26 April 2016.

### **Anne Mary Stuart - Bachelor of Business (Accounting), CPA Australia**

Experience, expertise and special responsibilities.

Anne has more than 21 years of administration, accounting and tax compliance experience gained through various roles as a consultant and employee, and is an Ormond local business owner.

Resigned 26 April 2016.

# Directors' report (continued)

## Directors (continued)

### **Noel Will - Bachelor of Education, Graduate Diploma in Marketing, Diploma in Financial Planning**

Experience, expertise and special responsibilities.

Noel has extensive experience in financial services and problem solving. He is a former teacher and passionate Ormond resident.

Retired 19 November 2015.

### **Robert Braun - Bachelor of Arts, Juris Doctor, Maryland State Bar**

Experience, expertise and special responsibilities.

Robert is an accomplished litigator, who also has extensive experience administering trusts and estates, and successfully joined the Victoria Bar in 2015.

Resigned 1 April 2016.

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

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

## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Andrew James French	10	8	2	2
Brad Slade	10	7	2	2
Kathryn Elizabeth Jackson	7	6	N/A	N/A
Anne May Stuart	7	6	N/A	N/A
Noel Will	10	9	N/A	N/A
Robert Braun	4	4	N/A	N/A
Colin Gledart	7	6	N/A	N/A
Andrew Moutray-Read	1	1	N/A	N/A

A - The number of meetings eligible to attend. B - The number of meetings attended. N/A - not a member of that committee.

## Company Secretary

Brad Slade has been the Company Secretary of Ormond-Mckinnon Community Enterprises Limited since November 2013.

Brad's qualifications and experience include multi-skilled professional with an extensive financial, management and compliance background working with listed companies and unlisted SME's.

## Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**<sup>®</sup> branch 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 provision for income tax was \$63,150 (2015 loss: \$119,205), which is an improvement on the loss of the previous year.

# Directors' report (continued)

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## **Dividends**

No dividends have been paid or declared since the start of the financial year.

## **Options**

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

## **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.

## **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.

## **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 incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

## **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.

## **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 8 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 on 31 October 2016



**Andrew Moutray-Read**  
**Director**



# Auditor's independence declaration



Chartered Accountants

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

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Fax: (03) 5444 4344  
rsd@rsdadvisors.com.au  
www.rsdadvisors.com.au

**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 2016 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

A handwritten signature in black ink, appearing to read 'P. P. Delahunty', written over a light grey background.

**P. P. Delahunty**  
Partner  
Bendigo

Dated: 31 October 2016

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue	2	507,190	347,859
<b>Expenses</b>			
Employee benefits expense	3	(323,286)	(287,519)
Depreciation and amortisation	3	(14,188)	(36,152)
Finance costs	3	(23,968)	(18,759)
Bad and doubtful debts expense	3	(312)	(866)
Occupancy expenses		(44,000)	(42,173)
Other expenses		(118,808)	(107,538)
		<b>(524,562)</b>	<b>(493,007)</b>
<b>Operating loss before charitable donations and sponsorships</b>		<b>(17,372)</b>	<b>(145,148)</b>
Charitable donations and sponsorships		(26,471)	(13,870)
<b>Loss before income tax</b>		<b>(43,843)</b>	<b>(159,018)</b>
Income tax (expense) / benefit	4	(19,307)	39,813
<b>Loss for the year</b>		<b>(63,150)</b>	<b>(119,205)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(63,150)</b>	<b>(119,205)</b>
Loss attributable to members of the company		(63,150)	(119,205)
<b>Total comprehensive income attributable to members of the company</b>		<b>(63,150)</b>	<b>(119,205)</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share		(7.62)	(14.38)

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,157	1,397
Trade and other receivables	6	29,761	16,827
Other assets	7	5,964	312
<b>Total current assets</b>		<b>36,882</b>	<b>18,536</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	241,875	252,297
Intangible assets	9	64,291	-
Deferred tax assets	4	254,944	274,251
<b>Total non-current assets</b>		<b>561,110</b>	<b>526,548</b>
<b>Total assets</b>		<b>597,992</b>	<b>545,084</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	37,451	12,960
Borrowings	11	518,541	476,373
Provisions	12	17,248	12,769
<b>Total current liabilities</b>		<b>573,240</b>	<b>502,102</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	44,920	-
<b>Total non-current liabilities</b>		<b>44,920</b>	-
<b>Total liabilities</b>		<b>618,160</b>	<b>502,102</b>
<b>Net assets</b>		<b>(20,168)</b>	<b>42,982</b>
<b>Equity</b>			
Issued capital	13	811,128	811,128
Accumulated losses	14	(831,296)	(768,146)
<b>Total equity</b>		<b>(20,168)</b>	<b>42,982</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
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		-	-	-
<b>Total comprehensive income for the year</b>		-	<b>(119,205)</b>	<b>(119,205)</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid or provided		-	-	-
<b>Balance at 30 June 2015</b>		<b>811,128</b>	<b>(768,146)</b>	<b>42,982</b>
Balance at 1 July 2015		811,128	(768,146)	42,982
Loss for the year		-	(63,150)	(63,150)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		-	<b>(63,150)</b>	<b>(63,150)</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid or provided		-	-	-
<b>Balance at 30 June 2016</b>		<b>811,128</b>	<b>(831,296)</b>	<b>(20,168)</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		544,975	362,014
Payments to suppliers and employees		(549,805)	(463,964)
Interest paid		(23,968)	(18,759)
<b>Net cash used in operating activities</b>	<b>15b</b>	<b>(28,798)</b>	<b>(120,709)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(13,610)	-
<b>Net cash flows used in investing activities</b>		<b>(13,610)</b>	-
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(3,000)	-
<b>Net cash used in financing activities</b>		<b>(3,000)</b>	-
<b>Net decrease in cash held</b>		<b>(45,408)</b>	<b>(120,709)</b>
Cash and cash equivalents at beginning of financial year		(471,976)	(351,267)
<b>Cash and cash equivalents at end of financial year</b>	<b>15a</b>	<b>(517,384)</b>	<b>(471,976)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

These 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 31 October 2016.

## 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, where 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**<sup>®</sup> branch at Ormond.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(a) Basis of preparation (continued)**

#### Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

#### Going concern

The loss made for the year ended 30 June 2015 was \$63,150, which has increased the company's accumulated losses to \$831,296. The net asset deficiency of the company at year end was \$20,168, which includes deferred tax assets of \$254,944, the value of which is dependant upon the company making future taxable profits with which unused tax losses can be utilised.

These circumstances create material uncertainties over the financial viability of the company.

The company meets its day-to-day working capital requirements through an overdraft facility that has been approved to 31 October 2017 by Bendigo and Adelaide Bank Limited. The overdraft has a limit of \$550,000, and was draw to \$518,541 as at 30 June 2016.

The Directors will continue to review their growth forecast budget and cash flows throughout 2016-17 and beyond, and will continue to implement measures to preserve existing cash facilities, and improve the asset base of the entity.

Bendigo and Adelaide Bank Limited have confirmed that it will continue to support the company and its operations through the provision of the overdraft facility on normal terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continued to fulfil its obligations under the franchise agreement and continued 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 report.

### **(b) Income tax**

The income tax expense / (benefit) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (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.

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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (c) Fair value of assets and liabilities (continued)

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie 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 (ie 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 (ie 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) Plant and equipment

#### Plant and equipment

Plant and equipment is 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.

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 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 rates used for each class of depreciable asset are:

<b>Class of asset</b>	<b>Rate</b>	<b>Method</b>
Leasehold improvements	2.5% - 15%	SL & DV
Furniture & fittings	7% - 40%	DV

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



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(d) Plant and equipment (continued)**

#### Depreciation (continued)

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 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.

### **(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.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(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 liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

#### 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.

### **(i) Intangible assets**

Establishment costs and franchise fees 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 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.

### **(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 revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Other revenue is recognised when the right to the income has been established.

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(I) Investments and other financial assets**

#### (i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

#### Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

eld-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

#### Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (I) Investments and other financial assets (continued)

#### (ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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.

#### (iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(l) Investments and other financial assets (continued)**

#### (iii) Impairment (continued)

##### Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

#### (iv) 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.

### **(m) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

### **(n) 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.

### **(o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **(p) Borrowing costs**

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(q) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

### **(r) Dividends**

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

### **(s) 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.

### **(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) Earnings per share**

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

### **(v) 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 beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on:
  - (i) the objective of the entity's business model for managing the financial assets; and
  - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (v) 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) (continued)

- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

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."

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(v) New accounting standards for application in future periods (continued)**

- (ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018) (continued)

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

- (iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back ,accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

### **(w) 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 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.



# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (w) Critical accounting estimates and judgements (continued)

#### 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.

	2016 \$	2015 \$
<b>Note 2. Revenue</b>		
Revenue		
- services commissions	502,021	346,558
	<b>502,021</b>	<b>346,558</b>
Other revenue		
- other revenue	5,169	1,301
	<b>5,169</b>	<b>1,301</b>
<b>Total revenue</b>	<b>507,190</b>	<b>347,859</b>

## Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	250,165	242,473
- superannuation costs	24,187	22,425
- other costs	48,934	22,621
	<b>323,286</b>	<b>287,519</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 3. Expenses (continued)		
Depreciation and amortisation		
Depreciation		
- furniture and fittings	306	4,171
- leasehold improvements	10,116	11,759
	<b>10,422</b>	<b>15,930</b>
Amortisation		
- franchise fees	3,766	20,222
<b>Total depreciation and amortisation</b>	<b>14,188</b>	<b>36,152</b>
Finance costs		
- Interest paid	23,968	18,759
Bad and doubtful debts expenses	312	866
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,730	4,000
	<b>5,730</b>	<b>4,000</b>

## Note 4. Income tax

### a. The components of tax expense / (benefit) comprise:

Deferred tax expense	19,307	(39,813)
	<b>19,307</b>	<b>(39,813)</b>

### b. Prima facie tax payable

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

Prima facie tax on loss before income tax at 28.5% (2015: 30%)	(12,495)	(47,705)
Add tax effect of:		
- Non-deductible donations	7,544	7,892
- Change in company tax rates	24,258	-
<b>Income tax attributable to the entity</b>	<b>19,307</b>	<b>(39,813)</b>
The applicable weighted average effective tax rate is :	44.04%	-25.04%

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Income tax (continued)		
<b>c. Current tax liability</b>		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
	-	-
<b>d. Deferred tax asset</b>		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Unused tax losses	254,944	274,251
<b>Net deferred tax asset</b>	<b>254,944</b>	<b>274,251</b>
<b>e. Deferred income tax expense included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(19,307)	39,813
	<b>(19,307)</b>	<b>39,813</b>

### Note 5. Cash and cash equivalents

Cash at bank and on hand	1,157	1,397
	<b>1,157</b>	<b>1,397</b>

### Note 6. Trade and other receivables

#### Current

Trade receivables	28,472	16,827
Other receivables	1,289	-
	<b>29,761</b>	<b>16,827</b>

#### 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.

# Notes to the financial statements (continued)

## Note 6. Trade and other receivables (continued)

### Credit risk (continued)

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
<b>2016</b>						
Trade receivables	28,472	28,472	-	-	-	-
Other receivables	1,289	1,289	-	-	-	-
<b>Total</b>	<b>29,761</b>	<b>29,761</b>	-	-	-	-
<b>2015</b>						
Trade receivables	16,827	16,827	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>16,827</b>	<b>16,827</b>	-	-	-	-

	2016 \$	2015 \$
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## Note 7. Other assets

Prepayments	5,193	312
Other	771	-
	<b>5,964</b>	<b>312</b>

## Note 8. Plant and equipment

### Leasehold improvements

At cost	319,328	319,328
Less accumulated depreciation	(79,215)	(69,099)
	<b>240,113</b>	<b>250,229</b>

### Furniture and Fittings

At cost	6,239	6,239
Less accumulated depreciation	(4,477)	(4,171)
	<b>1,762</b>	<b>2,068</b>
<b>Total plant and equipment</b>	<b>241,875</b>	<b>252,297</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 8. Plant and equipment (continued)		
<b>(a) Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Balance at the beginning of the reporting period	250,229	261,988
Depreciation expense	(10,116)	(11,759)
<b>Balance at the end of the reporting period</b>	<b>240,113</b>	<b>250,229</b>
<b>Furniture and Fittings</b>		
Balance at the beginning of the reporting period	2,068	6,239
Depreciation expense	(306)	(4,171)
<b>Balance at the end of the reporting period</b>	<b>1,762</b>	<b>2,068</b>
<b>Total plant and equipment</b>		
Balance at the beginning of the reporting period	252,297	268,227
Depreciation expense	(10,422)	(15,930)
<b>Balance at the end of the reporting period</b>	<b>241,875</b>	<b>252,297</b>

## Note 9. Intangible assets

<b>Franchise fees</b>		
At cost	68,057	110,000
Less accumulated amortisation	(3,766)	(110,000)
<b>Total intangible assets</b>	<b>64,291</b>	<b>-</b>
<b>Movements in carrying amounts</b>		
<b>Franchise fees</b>		
Balance at the beginning of the reporting period	-	20,222
Additions	68,057	-
Amortisation expense	(3,766)	(20,222)
<b>Balance at the end of the reporting period</b>	<b>64,291</b>	<b>-</b>

## Note 10. Trade and other payables

<b>Current</b>		
Unsecured liabilities:		
Franchise fee payable	14,972	-
Other creditors and accruals	22,479	12,960
	<b>37,451</b>	<b>12,960</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
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### Note 10. Trade and other payables (continued)

#### Non-current

Unsecured liabilities:

<b>Franchise fee payable</b>	<b>44,920</b>	-
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The average credit period on trade and other payables is one month.

### Note 11. Borrowings

#### Current

Unsecured liabilities

Bank overdraft	518,541	473,373
Trust account	-	3,000
	<b>518,541</b>	<b>476,373</b>

#### (a) Bank overdraft

The company has an overdraft facility of \$550,000 which is subject to normal commercial terms and conditions.

### Note 12. Provisions

#### Current

<b>Employee benefits</b>	<b>17,248</b>	<b>12,769</b>
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### Note 13. Share capital

828,828 Ordinary shares fully paid	828,860	828,860
Less: Equity raising costs	(17,732)	(17,732)
	<b>811,128</b>	<b>811,128</b>

#### (a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	828,860	828,860
Shares issued during the year	-	-
<b>At the end of the reporting period</b>	<b>828,860</b>	<b>828,860</b>

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.

# Notes to the financial statements (continued)

## Note 13. Share capital (continued)

### (b) 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.

	2016 \$	2015 \$
<b>Note 14. Accumulated losses</b>		
Balance at the beginning of the reporting period	(768,146)	(648,941)
Loss after income tax	(63,150)	(119,205)
<b>Balance at the end of the reporting period</b>	<b>(831,296)</b>	<b>(768,146)</b>

## 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:**

Cash and cash equivalents (Note 6)	1,157	1,397
Less bank overdraft (Note 11)	(518,541)	(473,373)
<b>As per the Statement of Cash Flow</b>	<b>(517,384)</b>	<b>(471,976)</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 15. Statement of cash flows (continued)		
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Loss after income tax	(63,150)	(119,205)
Non-cash flows in profit		
- Depreciation	10,422	15,930
- Amortisation	3,766	20,222
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(12,934)	9,441
- (increase) / decrease in prepayments and other assets	(5,652)	-
- (Increase) / decrease in deferred tax asset	19,307	(39,813)
- Increase / (decrease) in trade and other payables	10,098	(12,899)
- Increase / (decrease) in provisions	4,479	5,615
<b>Net cash flows from / (used in) operating activities</b>	<b>(33,664)</b>	<b>(120,709)</b>

### (c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to \$550,000 (2015: \$500,000). This may be terminated at any time at the option of the bank. At 30 June 2016, \$518,541 of this facility was used (2015: \$473,373). Variable interest rates apply to this overdraft.

## Note 16. Earnings per share

Basic earnings per share (cents)	(7.62)	(14.38)
Earnings used in calculating basic earnings per share	(63,150)	(119,205)
Weighted average number of ordinary shares used in calculating basic earnings per share.	828,860	828,860

## Note 17. Key management personnel and related party disclosures

### (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.

During the year, there was no remuneration paid to any person identified as key management personnel (2015: Nil). Remuneration includes:

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.



# Notes to the financial statements (continued)

## Note 17. Key management personnel and related party disclosures (continued)

### (a) Key management personnel (continued)

#### Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

#### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

#### Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

### (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

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**<sup>®</sup> 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 utilise 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 2016.

### (d) Key management personnel shareholdings

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

	2016	2015
Andrew James French	-	-
Brad Slade	-	-
Kathryn Elizabeth Jackson	-	-
Anne May Stuart	-	-
Noel Will	-	-
Robert Braun	-	-
Colin Gledart	10,000	10,000
Andrew Moutray-Read	-	-

# Notes to the financial statements (continued)

## Note 17. Key management personnel and related party disclosures (continued)

### (d) Key management personnel shareholdings (continued)

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, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016	2015
	\$	\$

## Note 21. Commitments

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Payable:

- no later than 12 months	45,913	44,147
- between 12 months and five years	144,592	190,505
- greater than five years	-	-
<b>Minimum lease payments</b>	<b>190,505</b>	<b>234,652</b>

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with 4% increases each year.

## Note 22. Company details

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

# Notes to the financial statements (continued)

## Note 23. Financial risk management

### 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.

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	2016 \$	2015 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	1,157	1,397
Trade and other receivables	6	29,761	16,827
<b>Total financial assets</b>		<b>30,918</b>	<b>18,224</b>
<b>Financial liabilities</b>			
Trade and other payables	10	82,371	12,960
Borrowings	11	-	3,000
Bank overdraft	11	518,541	473,373
<b>Total financial liabilities</b>		<b>600,912</b>	<b>489,333</b>

### **(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. 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 table above.

The company has 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.

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (a) Credit risk (continued)

None of the assets of the company are past due (2015: 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.

### (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.

The company has established an overdraft facility of \$550,000 (2015: \$500,000) with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is \$31,459 (2015: \$26,627).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial assets</b>					
Cash and cash equivalents	-%	1,157	1,157	-	-
Trade and other receivables	-%	29,761	29,761	-	-
<b>Total anticipated inflows</b>		<b>30,918</b>	<b>30,918</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	-%	82,371	37,451	44,920	-
Bank overdraft *	4.29%	518,541	518,541	-	-
<b>Total expected outflows</b>		<b>600,912</b>	<b>555,992</b>	<b>44,920</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>(569,994)</b>	<b>(525,074)</b>	<b>(44,920)</b>	-

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-%	1,397	1,397	-	-
Trade and other receivables	-%	16,827	16,827	-	-
<b>Total anticipated inflows</b>		<b>18,224</b>	<b>18,224</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables	-%	12,960	12,960	-	-
Borrowings	-%	3,000	3,000	-	-
<b>Bank overdraft *</b>	<b>4.29%</b>	<b>473,373</b>	<b>473,373</b>	-	-
<b>Total expected outflows</b>		<b>489,333</b>	<b>489,333</b>	-	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>(471,109)</b>	<b>(471,109)</b>	-	-

\* 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 rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instrument that primarily exposes the company to interest rate risk is borrowings.

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 \$
<b>Year ended 30 June 2016</b>		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(5,185)	(5,185)
	<b>(5,185)</b>	<b>(5,185)</b>

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (c) Market risk (continued)

	Profit \$	Equity \$
<b>Year ended 30 June 2015</b>		
+/- 1% in interest rates (interest income)	-	-
+/- 1% in interest rates (interest expense)	(4,704)	(4,704)
	<b>(4,704)</b>	<b>(4,704)</b>

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

##### Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents (i)	1,157	1,157	1,397	1,397
Trade and other receivables (i)	29,761	29,761	16,827	16,827
<b>Total financial assets</b>	<b>30,918</b>	<b>30,918</b>	<b>18,224</b>	<b>18,224</b>
<b>Financial liabilities</b>				
Trade and other payables (i)	82,371	82,371	12,960	12,960
Bank overdraft	-	-	3,000	3,000
Borrowings	518,541	518,541	473,373	473,373
<b>Total financial liabilities</b>	<b>600,912</b>	<b>600,912</b>	<b>489,333</b>	<b>489,333</b>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

# Directors' declaration

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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 9 to 37 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 2016 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 Moutray-Read**  
**Director**

Signed at Ormond on 31 October 2016.

# Independent audit report



Chartered Accountants

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## INDEPENDENT AUDITOR'S OPINION

To the directors of Ormond-McKinnon Community Enterprises Limited

### Report on the Annual Financial Report

We have audited the accompanying financial report of Ormond-McKinnon Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



# Independent audit report (continued)

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## *Independence*

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

## *Auditor's Opinion*

In our opinion:

- a) the financial report of Ormond-McKinnon Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

## **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates the company has incurred a net loss after tax of \$63,150 for the year ended 30 June 2016, creating a net liability position of \$20,168. Included within the assets of the entity is a deferred tax asset of \$254,944, which is primarily in relation to unused tax losses, the value of which is dependent upon the realisation of future taxable profits. These conditions, along with other conditions set forth in Note 1, indicate the existence of a material uncertainty that may cast 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**

**Bendigo**

**Dated:** 31 October 2016

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

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485 North Road, Ormond VIC 3204  
Phone: (03) 9576 8211  
ABN: 62 131 468 703  
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[www.facebook.com/OrmondMcKinnonCommunityBankBranch](http://www.facebook.com/OrmondMcKinnonCommunityBankBranch)

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