Annual Report 2018

Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

Ormond-McKinnon **Community Bank**® Branch

Contents

Chair's report

For year ending 30 June 2018

As the Chair of Ormond-McKinnon Community Enterprises Limited (OMCEL), it is my pleasure to present the 2018 Annual Report.

The Board

Your Board continues to refresh and seek out new Directors with complementary skills to strengthen the governance and strategic leadership of OMCEL. In FY18, we appointed two new Directors to casual vacancies, Caroline Gill and Nicky Mackie. Caroline was also appointed as Company Secretary. As a result of external professional and personal circumstances, Caroline Gill and Paul Stocker have recently had to resign as Directors. We thank them for their contributions this year, and we are pleased that both have expressed an interest in remaining connected to OMCEL in the future.

I will also be stepping down as Company Chair and Director at the AGM, due to taking up a professional opportunity overseas. As part of the Board's continuity plan, Kannan Nair was appointed as the Co-Chair in July 2018 to prepare for a smooth transition. With Caroline's departure, Irena Peoples was appointed as the Company Secretary and her experience and knowledge of **Community Bank**® Boards and the Bendigo **Community Bank**® model has already been a great asset to the Ormond-McKinnon Board. The Board will continue its ongoing focus on succession planning and business continuity, and will be seeking to appoint new Directors and committee members to add further capacity, expertise and local relationships to help grow our business further.

The role of a volunteer **Community Bank**® Director requires time, commitment and passion for the community and everyone who takes on this position provides a valuable contribution in helping to build a business that will provide funding and support for their local community.

The Financial Results

I am very pleased to report that the company has realised its second consecutive profit after income tax in FY18 of $23,453, which exceeded budgeted expectations. To summarise, the business book of the branch (total loans and deposits) stayed fairly flat from $80m (2017) to $84m (2018). This is largely due to the loss of a material deposit account this year, which partially offset the stellar lending volume growth achieved by the branch – an increase of 13% in lending settlements equating to 105% of the budget target. Although the year-on-year result appears modest, it is the result of significant achievement and success by the Ormond-McKinnon Branch staff in the face of strong headwinds. A strong and targeted growth strategy has also seen the business grow in revenue by 7.8% from $607,117 to $654,991.

Having carefully considered the company's financial position, the Directors recommend that no dividend be paid to shareholders for the current period as we reinvest our recent success into the long-term stability of the business.

The Branch

This year's positive outcomes can, to a large extent, be attributed to the outstanding performance of a strong and engaged branch team. Our previous Branch Manager, Annalise Plant, established an engaged and passionate team, trained to deliver exceptional customer service. This year, we also welcomed our new Customer Relationship Manager, Simon Thomson, who was subsequently appointed as the new Branch Manager following Annalise's departure to take up a role at the Bendigo Bank head office. We also more recently welcomed Connor Huthwaite as our new Customer Relationship Officer. At the time of writing this report, the Board has recently received Simon Thomson's resignation and we have already commenced the process for appointing a successor to his role. We are confident in the strength of our branch team and the support of Bendigo Bank, which will help us through this next leadership transition.

Chair’s report (continued)

The changes in branch leadership have presented challenges for the team, which is why it is especially pleasing that the branch was able to exceed budget expectations despite these challenges. I would like to thank all of our Branch Staff for their outstanding contribution and continuous dedication to the Ormond-McKinnon customers and community.

The Community

This year the branch successfully held its first Community Pitch event. We invited local community groups to pitch for the funds they need for a specific project on the night and the branch, in partnership with eight local businesses, gave away a total of $14,400 to the local community groups. This was a great, fun night, where Ormond-McKinnon Branch Staff and Directors, local community groups and businesses were able to connect with each other. The Directors would like to thank our new Director Nicky Mackie for her pivotal role in organising the Community Pitch event. Nicky brought to bear her considerable experience in event planning and community connections to help make the night a great success.

The branch has contributed $170,000 to the local community since its inception, and your Board continues to look for strategic partnerships and opportunities that will strengthen our ties to the local community.

The next 12 months

Your Board has refreshed its strategic plan for FY19, and has confidence that OMCEL will be well positioned to face challenging external and internal circumstances. Our initial areas of focus are to support the branch in its leadership transition, to maintain our strong culture of customer service and to drive community connections and team engagement throughout this period. With the appropriate foundations in place, we will move to a customer growth focus in the second half of the year.

We would like to thank you, our shareholders and customers, for your continued support which has allowed us to invest in this community.

Jeanine Reyneke
Chair

Ormond-McKinnon Community Enterprises Limited

4 November 2018

Manager’s report

For year ending 30 June 2018

This is a great opportunity to reflect on the year that was, over the past 12 months we have seen an increase across all aspects of the business with customer numbers increasing to 2,127 - this is an increase of 248 customers for the financial year.

Despite the extremely competitive environment, the Ormond McKinnon **Community Bank**® Branch has had a successful year, with total footings now at $79.5 million. The focus for this financial year is to consolidate and grow our footings and build upon our strong community presence.

We are very proud of the community projects we have contributed to as well as the sponsorships/partnerships we have been involved in throughout the year. In doing this, we are fulfilling the essence of what it is to be a **Community Bank**® branch.

One project we are particularly proud of is the Community Pitch Event, whereby we invite community groups in our local area to apply for funding. Groups then attended an evening to pitch their project to the other community groups we partner with and local businesses who could assist in increasing the funding distributed on the night.

Our aim at Ormond McKinnon **Community Bank**® Branch is to continue to provide exceptional customer service, knowledge and expertise to our customers and potential customers. In addition to having access to skilled branch staff we have a range of specialist advisers that we can access from Bendigo Bank which include Business Banking Specialists and Financial Advisers. Our desire is to continually invest in partnering with and supporting local community groups. To achieve this, our focus is on continually connecting with our local community, both at branch and Board level.

I would like to thank our staff - Sami, Connor, Michelle and Angela - for their continued hard work and dedication to ensure that our customers, both new and existing, are well looked after. I would also like to thank Annalise Plant and Jennifer Christie, who have moved on to other departments in Bendigo Bank, for their dedication and contribution to the success of Ormond McKinnon **Community Bank**® Branch over the past number of years.

I would like to say thank you to my Board, branch staff and the staff at all the varying departments of Bendigo and Adelaide Bank Limited for their consistent support during the year.

Finally, I would like to thank our shareholders and customers. You are the most fundamental part of our business. Your banking is supporting a stronger and more successful community. The more customers and business we can attract, the more we can make a difference in our community. I wish everyone a successful year ahead.

Simon Thomson
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank®** branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only '**Community Bank®**', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

Director’s report

For year ending 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

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:

Jeanine Reyneke

Position:	Chairperson
Qualifications:	BCom (Law) - South Africa, Executive MBA - Queensland University of Technology
Experience and expertise:	Jeanine is an experienced leader with international experience across a number of industries. She has extensive experience in the banking industry across a broad range of functions, including Operations, Sales leadership, Small Business and Commercial Banking. Jeanine also gained experience in delivering strategy, projects and business improvements in her previous roles.

Andrew James French (Resigned October 2017)

Position:	Chairperson
Qualifications:	Nil
Experience and expertise:	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.

Kannan Nair

Position:	Director and Secretary
Qualifications:	CPA - Australia, MBA - University of Sydney and NSW, Commercial Law Masters - University of Melbourne
Experience and expertise:	Kannan has an extensive commercial, finance, and strategy background developed through working with large ASX listed companies and being on a number of Boards. His experience has been gained in a broad range of industries, including retail, property, automobiles, consulting and logistics.

Colin Geldart (Resigned October 2017)

Position:	Director
Qualifications:	Financial Services Institute of Australia (SF Fin)
Experience and expertise:	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 Board positions with other organisations over the last 10 years.

Director’s report (continued)

Directors (continued)

Chian Kee

Position:	Director
Qualifications:	Bachelor of Laws (Hons) - University of Melbourne, Bachelor of Computer Science - University of Melbourne
Experience and expertise:	Chian is a senior commercial lawyer with top tier private practice and ASX 50 in house legal experience. Chian also has previous Board experience in the not for profit community legal sector. Chian currently leads an in-house legal team focused on retail, technology and consumer markets, his practice includes advising on competition and consumer law, franchising, corporate governance, sales channels and strategic partnerships, private equity acquisitions and dispute resolution. Chian is committee secretary of the OMCEL Finance, Audit and Risk Management Committee.

Lucienne Harrison

Position:	Director
Qualifications:	Bachelor of Chemical Engineering, Post Graduate Qualifications in OH&S, and is a graduate of the Australian Institute of Company Directors
Experience and expertise:	Lucienne has extensive experience across the private, public and not-for-profit sectors - working in a range of senior roles in corporate and operational strategy, business operations and risk and governance. Prior to joining the Ormond-McKinnon board she was President and Chair of the Risk and Audit Committee. She brings a wealth of governance experience, commercial acumen and a reputation for delivering results.

Paul Stocker

Position:	Director
Qualifications:	CFP - Deakin University, Diploma in Financial Planning, Bachelor of Commerce - University of Southern QLD
Experience and expertise:	Paul has an extensive banking and finance background and has managed regional teams across numerous listed and unlisted companies. His strengths include growing businesses, business coaching and the development of high performing teams to deliver successful outcomes.

Nicky Mackie (Appointed February 2018)

Position:	Director
Qualifications:	Bachelor of Business, majoring in Human Resource Management
Experience and expertise:	Nicky Mackie is a market leading Business Strategist and Human Resources expert. Nicky brings a high level of business acumen as the sole director of People Assets Pty Ltd, a niche business strategy and HR Consulting Company that has been in operation since 2001.

Director’s report (continued)

Directors (continued)

Caroline Gill (Appointed February 2018)

Position: Director and Secretary

Qualifications: LLB (Hons), BA, (University of Adelaide), MBA (Insead), Masters in Law (University of Paris), Grad Dip Law (King's College London). Australian Institute of Company Directors

Experience and expertise: Caroline is a senior commercial lawyer with a particular focus on consumer and competition law. Her experience includes working in a top tier law firm and federal and international government agencies, where she gained extensive Board governance and secretariat experience. Her current position is senior regulatory and legal manager at an ASX-50 listed company. Prior to joining the OMCEL Board she was a member of the OMCEL Finance, Audit and Risk Management Committee.

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:

	Board Meetings	
	Number eligible to attend	Number attended
Jeanine Reyneke	11	11
Andrew James French (Resigned October 2017)	4	3
Kannan Nair	11	10
Colin Geldart (Resigned October 2017)	4	3
Chian Kee	11	9
Lucienne Harrison	11	9
Paul Stocker	11	8
Nicky Mackie (Appointed February 2018)	5	1
Caroline Gill (Appointed February 2018)	5	5

Company Secretary

Kannan Nair served as Company Secretary of Ormond-McKinnon Community Enterprises Limited upon his appointment as a Director in June 2017. Kannan has an extensive commercial, finance, and strategy background developed through working with large ASX listed companies and being on a number of Boards. His experience has been gained in a broad range of industries, including retail, property, automobiles, consulting and logistics.

Caroline Gill replaced Kannan Nair as Company Secretary in March 2018. Caroline is a senior commercial lawyer with a particular focus on consumer and competition law. Her experience includes working in a top tier law firm and federal and international government agencies, where she gained extensive board governance and secretariat experience.

Director’s report (continued)

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** 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 profit of the company for the financial year after provision for income tax was $23,453 (2017 profit: $19,813), which is an 18.4% increase as compared with the previous year.

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 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.

Director’s report (continued)

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.

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 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 on 5 November 2018.

Kannan Nair
Director

Auditor's Independence Declaration

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Bendigo, Victoria
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3552

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Ormond-McKinnon Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 6 November 2018

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Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	654,991	607,117
Expenses			
Employee benefits expense	3	(372,067)	(346,091)
Depreciation and amortisation	3	(25,070)	(25,644)
Finance costs	3	(16,882)	(20,240)
Bad and doubtful debts expense	3	(187)	(220)
Occupancy expenses		(47,641)	(47,884)
IT expenses		(31,679)	(32,219)
Marketing and advertising		(10,518)	(5,931)
Freight/Cartage/Delievery		(2,429)	(5,927)
Accounting and Audit fees		(13,237)	(11,394)
Rates/Electricity/Printing expenses		(16,552)	(13,178)
Other expenses		(59,225)	(41,838)
		(595,487)	(550,566)
Operating profit before charitable donations & sponsorship		**59,504**	**56,551**
Charitable donations and sponsorships		(25,467)	(34,260)
Profit before income tax		**34,037**	**22,291**
Income tax expense	4	(10,584)	(2,478)
Profit for the year after income tax		**23,453**	**19,813**
Other comprehensive income		-	-
Total comprehensive income for the year		**23,453**	**19,813**
Profit attributable to members of the company		23,453	19,813
Total comprehensive income attributable to members of the company		**23,453**	**19,813**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	2.83	2.39

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	(659)	50
Trade and other receivables	6	40,280	45,098
Other assets	8	4,244	5,161
Total current assets		**43,865**	**50,309**
Non-current assets			
Property, plant and equipment	9	221,106	231,204
Intangible assets	10	34,346	49,318
Deferred tax assets	4	241,881	252,466
Total non-current assets		**497,333**	**532,988**
Total assets		**541,198**	**583,297**
Liabilities			
Current liabilities			
Trade and other payables	12	54,666	61,956
Borrowings	13	439,864	473,501
Provisions	14	7,584	17,248
Total current liabilities		**502,114**	**552,705**
Non-current liabilities			
Provisions	14	1,014	-
Trade and other payables	12.	14,972	30,947
Total non-current liabilities		**15,986**	**30,947**
Total liabilities		**518,100**	**583,652**
Net assets		**23,098**	**(355)**
Equity			
Issued capital	15	811,128	811,128
Accumulated losses	16	(788,030)	(811,483)
Total equity		**23,098**	**(355)**

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of Changes in Equity
for the year ended 30 June 2018

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017	811,128	(811,483)	(355)
Comprehensive income for the year			
Profit for the year	-	23,453	23,453
Other comprehensive income for the year	-	-	-
	-	**23,453**	**23,453**
Balance at 30 June 2018	**811,128**	**(788,030)**	**23,098**
Balance at 1 July 2016	811,128	(831,296)	(20,168)
Comprehensive income for the year			
Profit for the year	-	19,813	19,813
Other comprehensive income for the year	-	-	-
	-	**19,813**	**19,813**
Balance at 30 June 2017	**811,128**	**(811,483)**	**(355)**

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		719,675	667,272
Payments to suppliers and employees		(668,865)	(589,489)
Interest paid		(16,882)	(20,240)
Net cash flows provided by operating activities	20b	**33,928**	**57,543**
Cash flows from investing activities			
Purchase of intangible assets		(1,000)	(13,610)
Net cash flows used in investing activities		**(1,000)**	**(13,610)**
Cash flows from financing activities			
Net cash flows provided by financing activities		**-**	**-**
Net increase in cash held		**32,928**	**43,933**
Cash and cash equivalents at beginning of financial year		(473,451)	(517,384)
Cash and cash equivalents at end of financial year	20a	**(440,523)**	**(473,451)**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

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 5 November 2018.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Ormond-McKinnon**.**

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern

For the period ended 30 June 2018, the entity realised a profit after income tax of $23,453, reducing the accumulated losses to $788,030 and improving the net asset deficiency from ($355) to a positive of $23,098.

Included within the net assets of the company is deferred tax assets in relation to carried forward tax losses of $241,882, which can only be utilised against future taxable profits. Furthermore, the company has a working net current asset deficiency of $458,249 (including the bank overdraft of $439,864).

Over the past 12-18 months, the directors have implemented measures to increase the overall performance of the bank. In conjunction with a change in commission rates earned on banking products from Bendigo and Adelaide Bank Limited, revenue has grown by 7.8% per annum since 30 June 2017.

The company meets its day to day working capital requirements through an overdraft facility that is through the Bendigo Bank and is ongoing. The overdraft has an approved limit of $550,000 and was drawn to $439,864 as at 30 June 2018.

The directors will continue to review their growth forecast budget and cash flows throughout the 2018/19 year, and continue to implement measures to preserve cash, and secure additional finance.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2018/19 financial year, and beyond, through the provision of the 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. During the year, the company reduced its overdraft by $33,637.

Based on the above, 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) 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.

(c) 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)

1. Summary of significant accounting policies (continued)

(d) Comparative figures

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

(e) 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.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

(g) 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 out on the proceeding pages.

(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
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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(g) 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)**

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.

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.

Notes to the financial statements (continued)

2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	654,991	607,117
Total revenue	**654,991**	**607,117**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank LImited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

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

3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	309,205	262,571
- superannuation costs	30,379	26,211
- other costs	32,483	57,309
	372,067	346,091
Depreciation and amortisation		
Depreciation		
- plant and equipment	174	214
- leasehold improvements	9,924	10,457
	10,098	10,671
Amortisation		
- franchise fees	14,972	14,973
Total depreciation and amortisation	25,070	25,644
Finance costs		
- Interest paid	16,882	20,240
Bad and doubtful debts expenses	187	220
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	9,115	5,800
	9,115	5,800

Notes to the financial statements (continued)

3. Expenses (continued)

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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:

Class of asset	*Rate*	*Method*
Leasehold improvements	2.5% - 15%	SL
Plant and equipment	7% - 40%	SL

Gains/losses upon disposal of non-current assets

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.

4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	8,996	7,410
Deferred tax expense	9,525	6,130
Recoupment of prior year tax losses	(8,996)	(7,410)
Under / (over) provision of prior years	1,059	(3,652)
	10,584	**2,478**

b. Prima facie tax payable

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

	2018	2017
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	9,360	6,130
Add tax effect of:		
- Under / (over) provision of prior years	1,224	(3,652)
Income tax attributable to the entity	**10,584**	**2,478**
The applicable weighted average effective tax rate is:	31.10%	11.12%

Notes to the financial statements (continued)

4. Income Tax (continued)

c. Current tax liability

Current tax relates to the following:

Current tax liabilities / (assets)

Opening balance	-	-
Current tax	8,996	7,410
Recoupment of carried forward tax losses	(8,996)	(7,410)
	-	**-**

d. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets comprise:		
Accrued expenses	2,474	1,936
Employee provisions	2,364	4,743
Unused tax losses	237,998	246,994
	242,836	**253,673**
Deferred tax liabilities comprise:		
Prepayments	955	1,207
	955	**1,207**
Net deferred tax asset	**241,881**	**252,466**

e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	5,941	4,923
(Decrease) / increase in deferred tax liabilities	2,525	1,207
Under / (over) provision prior years	1,059	(3,652)
	9,525	**2,478**

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

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.

Notes to the financial statements (continued)

5. Cash and cash equivalents

	2018	2017
	$	$
Cash at bank and on hand	(659)	50
	(659)	**50**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

6. Trade and other receivables

	2018	2017
	$	$
Current		
Trade receivables	38,991	43,809
Other receivables	1,289	1,289
	40,280	**45,098**

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.

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.

6. Trade and other receivables (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	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	38,991	38,991	-	-	-	-
Other receivables	1,289	1,289	-	-	-	-
Total	**40,280**	**40,280**	**-**	**-**	**-**	**-**
2017						
Trade receivables	43,809	43,809	-	-	-	-
Other receivables	1,289	1,289	-	-	-	-
Total	**45,098**	**45,098**	**-**	**-**	**-**	**-**

7. Financial assets

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

• loans and receivables,

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.

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.

(b) Measurement of financial assets

At initial recognition, the entity 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* .

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.

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.*

Notes to the financial statements (continued)

7. Financial assets (continued)

(c) Impairment of financial assets

The entity 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.

(d) 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.

8. Other assets

	2018	2017
	$	$
Prepayments	3,473	4,390
Other	771	771
	4,244	**5,161**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

9. Plant and equipment

	2018 $			2017 $		
	At cost / valuation	Accumulated depreciation	Written down value	At cost / valuation	Accumulated depreciation	Written down value
Leasehold improvements	319,328	(99,596)	219,732	319,328	(89,672)	229,656
Furniture and fittings	6,239	(4,865)	1,374	6,239	(4,691)	1,548
Total property, plant and equipment	**325,567**	**(104,461)**	**221,106**	**325,567**	**(94,363)**	**231,204**

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.

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.

The assets' 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.

9. Plant and equipment (continued)

(b) Movements in carrying amounts of P&E

	2018 $			2017 $		
	Opening written down value	Depreciation	Closing written down value	Opening written down value	Depreciation	Closing written down value
Leasehold improvements	229,656	(9,924)	219,732	240,113	(10,457)	229,656
Furniture and fittings	1,548	(174)	1,374	1,762	(214)	1,548
Total plant and equipment	**231,204**	**(10,098)**	**221,106**	**241,875**	**(10,671)**	**231,204**

10. Intangible assets

	2018			2017 $		
	At cost / valuation	Accumulated amortisation	Written down value	At cost / valuation	Accumulated amortisation	Written down value
Franchise fees	68,057	(33,711)	34,346	68,057	(18,739)	49,318
Total intangible assets	**68,057**	**(33,711)**	**34,346**	**68,057**	**(18,739)**	**49,318**

Franchise fees have been initially recorded at cost and amortied on a straight line basis at a rae of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit and Loss and Other Comprehnsive income.

Movements in carrying amounts

	2018 $			2017 $		
	Opening written down value	Amortisation	Closing written down value	Opening written down value	Amortisation	Closing written down value
Franchise fees	49,318	(14,972)	34,346	64,291	(14,973)	49,318
Total intangible assets	**49,318**	**(14,972)**	**34,346**	**64,291**	**(14,973)**	**49,318**

11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees 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.

12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	29,947	14,973
Other creditors and accruals	24,719	31,983
Unearned income	-	15,000
	54,666	**61,956**
Non-Current		
Unsecured liabilities:		
Franchise fee payable	14,972	30,947
	14,972	**30,947**
Total trade and other payables	**69,638**	**92,903**

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.

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

13. Borrowings

	2018 $	2017 $
Current		
Unsecured liabilities		
Bank overdraft	439,864	473,501
Total borrowings	**439,864**	**473,501**

(a) Bank overdraft and bank loans

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

Notes to the financial statements (continued)

14. Provisions

	2018 $	2017 $
Current		
Employee benefits	7,584	17,248
Non-current		
Employee benefits	1,014	-
Total provisions	**8,598**	**17,248**

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.

15. Share capital

	2018 $	2017 $
828,828 Ordinary shares fully paid	828,860	828,860
Less: Equity raising costs	(17,732)	(17,732)
	811,128	**811,128**

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.

(a) Movements in share capital

	2018 $	2017 $
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.

15. 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.

16. Accumulated losses

	2018 $	2017 $
Balance at the beginning of the reporting period	(811,483)	(831,296)
Profit for the year after income tax	23,453	19,813
Balance at the end of the reporting period	**(788,030)**	**(811,483)**

17. Dividends paid or provided for on ordinary shares

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

18. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	2.83	2.39
Earnings used in calculating basic earnings per share	23,453	19,813
Weighted average number of ordinary shares used in calculating basic earnings per	828,860	828,860

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 servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

20. Statement of cash flows

	2018	2017
(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 5)	(659)	50
Less bank overdraft (Note 13)	(439,864)	(473,501)
As per the Statement of Cash Flow	**(440,523)**	**(473,451)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2018	2017
Profit for the year after income tax	23,453	19,813
Non-cash flows in profit		
- Depreciation and amortisation	25,070	25,644
- Bad debts	-	220
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	4,818	(15,557)
- (increase) / decrease in prepayments and other assets	917	803
- (Increase) / decrease in deferred tax asset	10,585	2,478
- Increase / (decrease) in trade and other payables	(7,265)	24,142
- Increase / (decrease) in provisions	(8,650)	-
(Decrease) / increase in other liabilities	(15,000)	-
Net cash flows from operating activities	**33,928**	**57,543**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $550,000 (2017: $550,000). This may be terminated at any time at the option of the bank. At 30 June 2018, $439,864 of this facility was used (2017: $473,501). Variable interest rates apply to these overdraft and bill facilities.

21. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

No remuneration was paid to key management personnel of the company during the year.

(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.

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 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 2018.

Notes to the financial statements (continued)

21. Key management personnel and related party disclosures (continued)

(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:

	2018	2017
Colin Geldart (Resigned October 2017)	10,000	10,000
	10,000	**10,000**

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 key management or related parties other than those described above.

22. Events after the reporting period

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

23. Contingent liabilities and contingent assets

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

24. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one 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 (2017: 100%).

25. Commitments

Operating lease commitments

	2018	2017
	$	$
Payable:		
- no later than 12 months	47,590	45,760
- between 12 months and five years	48,274	95,864
Minimum lease payments	**95,864**	**141,624**

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

26. Company details

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

27. Financial instrument risk

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	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	(659)	50
Trade and other receivables	6	40,280	45,098
Total financial assets		**39,621**	**45,148**
Financial liabilities			
Trade and other payables	12	69,638	92,903
Bank overdraft	13	439,864	473,501
Total financial liabilities		**509,502**	**566,404**

(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.

27. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2017: 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.

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 $550,000 (2017: $550,000) with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $110,136 (2017: $76,499).

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 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		(659)	(659)	-	-
Trade and other receivables		40,280	40,280	-	-
Total anticipated inflows		39,621	39,621	-	-
Financial liabilities					
Trade and other payables		69,638	54,666	14,972	-
Bank overdraft *	4.03%	439,864	439,864	-	-
Total expected outflows		509,502	494,530	14,972	-
Net inflow / (outflow) on financial instruments		**(469,881)**	**(454,909)**	**(14,972)**	**-**

27. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
	%	$	$	$	$
Financial assets					
Cash and cash equivalents		50	50	-	-
Trade and other receivables		45,098	45,098	-	-
Total anticipated inflows		45,148	45,148	-	-
Financial liabilities					
Trade and other payables		92,903	61,956	30,947	-
Bank overdraft *	3.80%	473,501	473,501	-	-
Total expected outflows		566,404	535,457	30,947	-
Net inflow / (outflow) on financial instruments		**(521,256)**	**(490,309)**	**(30,947)**	**-**

* 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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

The financial instruments that primarily expose the company to interest rate risk are 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.

	2018		2017	
	Profit	Equity	Profit	Equity
	$	$	$	$
+/- 1% in interest rates (interest income)	(7)	(7)	-	-
+/- 1% in interest rates (interest expense)	(4,399)	(4,399)	(4,735)	(4,735)
	(4,406)	**(4,406)**	**(4,735)**	**(4,735)**

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

Directors' Declaration

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

1. The financial statements and notes, as set out on pages 12 to 36 are in accordance with the *Corporations Act 2001* and:
   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2018 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 declaration is made in accordance with a resolution of the Board of Directors.

Kannan Nair
Director

Signed at Ormond on 5 November 2018.

Independent audit report

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AUDITOR'S REPORT
TO THE MEMBERS OF ORMOND-MCKINNON COMMUNITY ENTERPRISE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Ormond-McKinnon Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Ormond-McKinnon Community Enterprise 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 2018 and of its performance for the year then ended; 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the company has a net current asset deficiency of $458,249 as at 30 June 2018 which includes a bank overdraft facility of $439,864. Furthermore, included within the net assets of the company is a deferred tax asset of $241,881 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 matters as set forth in Note 1(a) 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. Our audit report is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

Independent audit report (continued)

Director's 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

rsd Audit

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 6 November 2018

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ABN: 62 131 468 703

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www.facebook.com/OrmondMcKinnonCommunityBankBranch

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(DATE: 11/18)