Annual Report 2019

Ormond-McKinnon Community Enterprises Limited

ABN 62 131 468 703

Ormond-McKinnon Community Bank Branch

Contents

Chair’s report

For year ending 30 June 2019

As the Chair of Ormond-McKinnon Community Enterprises Limited (OMCEL), it is my pleasure to present the 2019 Annual Report. FY 19 yearly results are an important marker, as it is the third successive year of delivering on profits and marks the turnaround for OMCEL.

I joined the OMCEL Board as an observer in November 2016, before formally becoming a Director, and fulfilling various roles as Treasurer, Interim Company Secretary, Co-Chair and Chair. I would like to thank Jeanine Reyneke, our past Chair, for her efforts and leadership during her tenure, and would also like to thank the present and past Board members and advisors for their support and guidance.

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 FY 19, we appointed two new Directors to casual vacancies, Jonathan Spiers and Stuart Gray, both of whom bring substantial and relevant experience. Stuart was also appointed to the role of Treasurer.

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. 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 in FY 19, the company has realised its third consecutive profit after income tax, being $82,836 – a figure which exceeded budget expectations. FY 19 was a challenging year with a number of staff changes. Despite this, the efforts of our branch staff ensured that total footings (the business book of the branch -total loans and deposits) declined only to $78M, resulting in a corresponding revenue drop of just 3.1% from $654,991 (FY 18) to $634,908 (FY 19). Astute cost controls across all aspects of operation further ensured that profitability increased substantially by 253%, from $23,453 (FY 18) to $82,836 (FY 19). This result is a significant achievement and success.

OMCEL has a strong and targeted growth strategy to increase revenue. It has embarked on a restructure which included hiring a Branch Operations Manager in Kylie Kung, and is currently recruiting a Mobile Relationship Manager – a revenue-focused role to support its growth plan.

Given the growth focus, restructure and 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

As previously stated, FY 19 was a year of significant staff challenges with departures of previous Branch Managers – Annalise Plant and her replacement Simon Thomson – in quick succession due to personal reasons. Customer Relationship Officer (CRO), Sami Vajdi, left the Ormond-McKinnon Branch in February. At the time of writing this report, the Board has recently received the resignations of both Connor Huthwaite – Customer Relationship Officer (CRO), and Karthik Ramakrishnan – Mobile Relationship Manager (MRM). We have commenced the process for appointing a new CRO and MRM.

Earlier in the year, we welcomed Kylie Kung, our new Branch Operations Manager and Natasha, our new Customer Service Officer. Both Kylie and Natasha have extensive Bendigo Bank experience at other Community Bank branches. 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.

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 its profitability targets. 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 celebrated its ninth birthday. In the nine years we've been operating, the company has reinvested over $190,000 back into our community groups and other worthwhile causes in our community. In FY 19 we are proud to have been one of the major sponsors for:

- Ormond Amateur Football Club,
- McKinnon Cricket Club, and
- Ormond Cricket Club,

as well as many other clubs and community groups in the Ormond and McKinnon areas.

We are currently planning our next Community Pitch event in February 2020 where we will, together with local businesses, provide funds for the benefit of the local community groups.

The Next 12 Months

Your Board has refreshed its strategic plan for FY 20 and has confidence that OMCEL will be well positioned to face challenging external and internal circumstances. We have successfully managed some of the recent challenges, including delaying the changes to the Bendigo Bank franchising model, which has allowed us to deliver outstanding profits this year.

Our areas of focus in FY 20 will be to support the branch in its leadership transition, to maintain our strong culture of customer service and to drive community connections and team engagement. This will allow us to deliver on customer growth 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.

Kannan Nair
Chair

Manager’s report

For year ending 30 June 2019

It is my pleasure to present to you the overall results of Ormond-McKinnon Community Bank (OMCB) for the past 12 months, as well as our team’s vision and focus going forward.

Financial Year 2019 has been a challenging year. External factors such as strong competition in the market, combined with internal factors such as turnover of a number of branch staff, have all presented challenges to the business. Despite all these, OMCB managed to marginally grow the number of customers to 2,149, as compared to 2,127 at this time last year. The number of products per customer has also grown from 1.89 last year to 1.93 this year – a sign that we are providing more tailored solutions to suit our customers’ banking needs which allows us to better assist them on their home-buying or wealth-building journey. This is also proof that we are a real alternative to the major banks and we are capitalising on that goodwill and the uncertainty within the overall banking sector.

I want to say thank you to all the staff members who have contributed to this success – Connor, Michelle, Angela, and Natasha. Each of them brings a different skill set and experience to the table and through working as a team, they continue to deliver excellent service to our customers.

Our vision is to assist our customers to achieve their financial goals and to help make meaningful contributions to the local community. Over the course of the 2018/19 financial year, we were proud to sponsor a number of local sporting clubs as well as providing grants to the Glen Eira Cheltenham Art Group and the Brighton Cemetorians for specific projects. The total amount contributed back to the community since we opened in 2010 now stands at over $190,000.

I also want to say thank you to our customers and shareholders. You are an integral part of our business and your support helps build a stronger and more successful community. If you are currently not banking with us, I encourage you to come see the difference you could make, just by switching your banking. We look forward to meeting and assisting you on your journey.

Finally, I wish everyone a fruitful and successful year ahead.

Kylie Kung
Branch Operations Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local Board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Director's report

For year ending 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

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:

Directors	Details
Kannan Nair	Director and Chairperson CPA - Australia, MBA - University of Sydney and NSW, Commercial Law Masters - University of Melbourne. 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.
Chian Kee	Director Bachelor of Laws (Hons) - University of Melbourne, Bachelor of Computer Science - University of Melbourne. 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.
Lucienne Harrison	Director Bachelor of Chemical Engineering, Post Graduate Qualifications in OH&S, and is a graduate of the Australian Institute of Company Directors. 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. She brings a wealth of governance experience, commercial acumen and a reputation for delivering results.
Paul Stocker	Director Resigned 23 September 2018 CFP - Deakin University, Diploma in Financial Planning, Bachelor of Commerce - University of Southern Queensland. 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	Director Bachelor of Business, majoring in Human Resource Management. 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.

Directors (continued)

Caroline Gill	Director Resigned 23 September 2018 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. 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 legal manager at an ASX-50 listed company.
Jeanine Reyneke	Director Resigned 21 December 2018 Bcom (Law) - South Africa, Executive MBA - Queensland University of Technology. 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.
Jonathan Spiers	Director Appointed 30 April 2019 GAICD, MBA Melbourne Business School, Graduate Diploma of Business Monash University, Bachelor of Arts Monash University Jonathan is a customer strategy development and delivery executive, with more than 20 years' experience in growing market share and profit in the banking, pharmaceutical and health insurance industries. He has more than 12 years banking experience including customer-facing roles in retail and business banking, and in consumer product roles across deposits, mortgages, credit cards, and personal loans.
Stuart Gray	Director and Treasurer Appointed 4 May 2019 Chartered Accountant Stuart has 15 years of experience in finance executive roles in the construction industry, including 4 years as CFO / Company Secretary of an ASX-listed company (SRG Global Limited).

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	
Director	A	B
Kannan Nair	12	12
Chian Kee	12	11
Lucienne Harrison	12	10
Paul Stocker	2	1
Nicky Mackie	12	7
Caroline Gill	2	2
Jeanine Reyneke	4	3
Jonathan Spiers	3	3
Stuart Gray	2	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Caroline Gill served as Company Secretary from March 2018 until September 2018.

Irena Peoples replaced Caroline Gill as Company Secretary in September 2018. Irena is a Mechanical Engineer experienced in Project Management and is also a Director and Company Secretary for Beaumaris Community Financial Services Limited (operators of the Beaumaris Community Bank Branch). Irena is not a Director of Ormond-McKinnon Community Enterprises Limited.

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 $82,836 (2018 profit: $23,453), which is a 253.2% increase as compared with the previous year. This can be attributed to a large reduction in payroll related expenditure throughout the period.

Dividends

No dividend has been declared or paid 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.

Director’s report (continued)

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 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 6 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 26 September 2019.

Kannan Nair
Chairman

Auditor’s Independence Declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors 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 2019 there have been no contraventions of:

(i) The auditor independence requirements of 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: 30 September 2019

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For year ending 30 June 2019

	Note	2019 $	2018 $
Revenue	2	634,908	654,991
Expenses			
Employee benefits expense	3	(301,667)	(372,067)
Depreciation and amortisation	3	(31,114)	(25,070)
Finance costs	3	(15,803)	(16,882)
Bad and doubtful debts expense	3	(451)	(187)
Occupancy expenses		(50,372)	(47,641)
IT expenses		(33,413)	(31,679)
Marketing and advertising		(1,360)	(10,518)
Freight, cartage and delivery		(1,871)	(2,429)
Accounting and audit fees		(12,038)	(13,237)
Rates, electricity and printing expenses		(11,298)	(16,552)
Other expenses		(40,855)	(59,224)
		(500,242)	(595,487)
Operating profit before charitable donations & sponsorship		134,666	59,504
Charitable donations and sponsorships		(20,638)	(25,467)
Profit before income tax		114,028	34,037
Income tax expense	4	(31,192)	(10,584)
Profit for the year after income tax		82,836	23,453
Other comprehensive income		-	-
Total comprehensive income for the year		82,836	23,453
Profit attributable to members of the company		82,836	23,453
Total comprehensive income attributable to members of the company		82,836	23,453
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	9.99	2.83

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Financial Position

For year ending 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	4,337	(659)
Trade and other receivables	6	41,598	40,280
Other assets	7	5,566	4,244
Total current assets		51,501	43,865
Non-current assets			
Property, plant and equipment	8	204,965	221,106
Intangible assets	9	19,373	34,346
Deferred tax assets	4	210,689	241,881
Total non-current assets		435,027	497,333
Total assets		486,528	541,198
Liabilities			
Current liabilities			
Trade and other payables	11	50,885	54,666
Borrowings	12	323,513	439,864
Provisions	13	4,762	7,584
Total current liabilities		379,160	502,114
Non-current liabilities			
Provisions	13	1,434	1,014
Trade and other payables	11	-	14,972
Total non-current liabilities		1,434	15,986
Total liabilities		380,594	518,100
Net assets		105,934	23,098
Equity			
Issued capital	14	811,128	811,128
Accumulated losses	15	(705,194)	(788,030)
Total equity		105,934	23,098

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Changes in Equity

For year ending 30 June 2019

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018	811,128	(788,030)	23,098
Comprehensive income for the year			
Profit for the year	-	82,836	82,836
Balance at 30 June 2019	811,128	(705,194)	105,934
Balance at 1 July 2017	811,128	(811,483)	(355)
Comprehensive income for the year			
Profit for the year	-	23,453	23,453
Balance at 30 June 2018	811,128	(788,030)	23,098

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Cash Flows

For year ending 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		697,081	719,675
Payments to suppliers and employees		(544,959)	(668,865)
Interest paid		(15,803)	(16,882)
Net cash flows provided by operating activities	18b	136,319	33,928
Cash flows from investing activities			
Purchase of intangible assets		(14,972)	(1,000)
Net cash flows used in investing activities		(14,972)	(1,000)
Cash flows from financing activities			
Net cash flows provided by financing activities		-	-
Net increase in cash held		121,347	32,928
Cash and cash equivalents at beginning of financial year		(440,523)	(473,451)
Cash and cash equivalents at end of financial year	18a	(319,176)	(440,523)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2019

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 26 September 2019.

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.

The branch 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 2019, there are several factors that may cast a doubt on the entities ability to continue as a going concern. These conditions include:

- the net current asset deficiency of $327,659; and
- included within total assets is a deferred tax asset in relation to carried forward tax losses of $207,802, whose value is dependant upon future taxable profits.

Over the past 12-18 months, the directors have implemented measures to increase the overall performance of the bank, resulting in positive cash flows from operations and profits for two consecutive years. A profit is also forecast for the 2019/20 year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 1 July 2019. The overdraft has an approved limited of $550,000 and was drawn down to $323,513 as at 30 June 2019.

The directors will continue to review their growth forecast budget and cash flows throughout the 2019/20 year, and continue to implement measure 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 2019/20 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 $116,351. During the year ended 30 June 2019, the Company has made a profit before tax of $114,028 which contributed to a reduction in the accumulated losses of $85,798, and had an operating cash flow surplus of $136,319.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(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.

(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.

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue,* AASB 111*Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, other than the reclassification of financial assets, there has not been any effect on the financial report from the adoption of this standard.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(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.

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $48,409. The company expects to recognise a right-of-use asset and lease liability for approximately this value upon adoption of the Standard. Operating lease payments will be replaced with depreciation and interest expenses.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

Revenue

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.

To determine whether to recognise revenue, the company follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified as financial assets at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of ‘hold to collect’ contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

AASB 9’s new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Classification and measurement of financial liabilities

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.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and other receivables	Loans and receivables	Amortised cost	40,280	40,280
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	69,638	69,638
Borrowings	Amortised cost	Amortised cost	439,864	439,864

Notes to the financial statements (continued)

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	634,908	643,920
	634,908	643,920
Other revenue		
- other revenue	-	11,071
	-	11,071
Total revenue	634,908	654,991

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.

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

Other income

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

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adeliade Bank Limited, including fees for loan applications and account transactions.

2. Revenue (continued)

Discretionary Financial Contributions
Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return
The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adeliade Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses

	2019	2018
	$	$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	254,420	309,205
- superannuation costs	24,073	30,379
- other costs	23,174	32,483
	301,667	372,067

Notes to the financial statements (continued)

3. Expenses (continued)

	2019 $	2018 $
Depreciation and amortisation		
Depreciation		
- leasehold improvements	15,695	9,924
- furniture and fittings	446	174
	16,141	10,098
Amortisation		
- franchise fees	14,973	14,972
Total depreciation and amortisation	31,114	25,070
Finance costs		
- Interest paid	15,803	16,882
Bad and doubtful debts expenses	451	187
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	2,600	9,115
	2,600	9,115

Operating expenses

Operating expenses are recognised in profit or loss on an accruals 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 and amortisation

The depreciable amount of all fixed and intangible assets are 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%	Straight line & Diminishing Value
Furniture & Fittings	7%-40%	Straight line
Franchise fees	20%	Straight line

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	30,361	8,996
Deferred tax expense	31,358	9,525
Recoupment of prior year tax losses	(30,361)	(8,996)
Under / (over) provision of prior years	(166)	1,059
	31,192	10,584

b. Prima facie tax payable

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

	2019 $	2018 $
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	31,358	9,360
Add tax effect of:		
- Under / (over) provision of prior years	(166)	1,224
Income tax attributable to the entity	31,192	10,584
The applicable weighted average effective tax rate is:	27.35%	31.10%

c. Current tax liability

Current tax relates to the following:

	2019 $	2018 $
Current tax liabilities		
Opening balance	-	-
Current tax	30,361	8,996
Recoupment of carried forward tax losses	(30,361)	(8,996)
	-	-

d. Deferred tax asset

Deferred tax relates to the following:

	2019 $	2018 $
Deferred tax assets comprise:		
Accruals	2,502	2,474
Employee provisions	1,704	2,364
Unused tax losses	207,802	237,998
	212,008	242,836
Deferred tax liabilities comprise:		
Prepayments	1,319	955
	1,319	955
Net deferred tax asset	210,689	241,881

	2019 $	2018 $
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	31,160	5,941
(Decrease) / increase in deferred tax liabilities	364	2,525
Under / (over) provision prior years	(166)	1,059
	31,358	9,525

Notes to the financial statements (continued)

4. Income tax (continued)

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

	2019	2018
	$	$
Cash at bank and on hand	4,337	(659)
	4,337	(659)

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

	2019	2018
	$	$
Current		
Trade receivables	40,309	38,991
Other receivables	1,289	1,289
	41,598	40,280

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 in accordance with the expected credit loss model, or 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.

Notes to the financial statements (continued)

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	
2019	$	$	$	$	$	$
Trade receivables	40,309	40,309	-	-	-	-
Other receivables	1,289	1,289	-	-	-	-
Total	41,598	41,598	-	-	-	-
2018						
Trade receivables	38,991	38,991	-	-	-	-
Other receivables	1,289	1,289	-	-	-	-
Total	40,280	40,280	-	-	-	-

7. Other assets

	2019	2018
	$	$
Prepayments	4,795	3,473
Other	771	771
	5,566	4,244

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.

8. Property, plant and equipment

	2019 $		
	At cost	Accumulated depreciation	Written down value
Leasehold improvements	319,328	(115,291)	204,037
Furniture and fittings	6,239	(5,311)	928
Total property, plant and equipment	325,567	(120,602)	204,965

	2018 $		
	At cost	Accumulated depreciation	Written down value
Leasehold improvements	319,328	(99,596)	219,732
Furniture and fittings	(4,865)	1,374	928
Total property, plant and equipment	325,567	(104,461)	221,106

Plant and equipment

Plant and equipment are measured on the cost basis 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.

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

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.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value $	Depreciation $	Closing written down value $
Leasehold improvements	219,732	(15,695)	204,037
Furniture and fittings	1,374	(446)	928
Total property, plant and equipment	221,106	(16,141)	204,965

2018	Opening written down value $	Depreciation $	Closing written down value $
Leasehold improvements	229,656	(9,924)	219,732
Furniture and fittings	1,548	(174)	1,374
Total property, plant and equipment	231,204	(10,098)	221,106

Notes to the financial statements (continued)

9. Intangible assets

	2019 $		
	At cost	Accumulated amortisation	Written down value
Franchise fees	68,057	(48,684)	19,373
Total intangible assets	68,057	(48,684)	19,373

	2018 $		
	At cost	Accumulated amortisation	Written down value
Franchise fees	68,057	(33,711)	34,346
Total intangible assets	68,057	(33,711)	34,346

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.

Movements in carrying amounts

2019	Opening written down value $	Amortisation $	Closing written down value $
Franchise fees	34,346	(14,973)	19,373
Total intangible assets	34,346	(14,973)	19,373

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

10. 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.

11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	3,292	14,975
Other creditors and accruals	32,621	24,719
Franchise fee payable	14,972	14,972
	50,885	54,666
Non-Current		
Unsecured liabilities:		
Franchise fee payable	-	14,972
	-	14,972
Total trade and other payables	50,885	69,638

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 franchise fee is repayable over 5 years.

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

12. Borrowings

	2019 $	2018 $
Current		
Unsecured liabilities		
Bank overdraft	323,513	439,864
Total borrowings	323,513	439,864

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

13. Provisions

	2019 $	2018 $
Current		
Employee benefits	4,762	7,584
Non-current		
Employee benefits	1,434	1,014
Total provisions	6,196	8,598

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.

14. Share capital

	2019 $	2018 $
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.

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

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	828,860	828,860
At the end of the reporting period	828,860	828,860

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Notes to the financial statements (continued)

14. 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.

15. Accumulated losses

	2019	2018
	$	$
Balance at the beginning of the reporting period	(788,030)	(811,483)
Profit for the year after income tax	82,836	23,453
Balance at the end of the reporting period	(705,194)	(788,030)

16. Dividends paid or provided for on ordinary shares

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

17. Earnings per share

	2019	2018
	$	$
Basic earnings per share (cents)	9.99	2.83
Earnings used in calculating basic earnings per share	82,836	23,453
Weighted average number of ordinary shares used in calculating basic earnings per share	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 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.

Notes to the financial statements (continued)

18. Statement of cash flows

	2019 $	2018 $

(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:

	2019 $	2018 $
Cash and cash equivalents (Note 5)	4,337	(659)
Less bank overdraft (Note 13)	(323,513)	(439,864)
As per the Statement of Cash Flow	(319,176)	(440,523)

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

	2019 $	2018 $
Profit for the year after income tax	82,836	23,453
Non-cash flows in profit		
- Depreciation and amortisation	31,114	25,070
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,318)	4,818
- (increase) / decrease in prepayments and other assets	(1,322)	917
- (Increase) / decrease in deferred tax asset	28,231	10,585
- Increase / (decrease) in trade and other payables	(820)	(7,265)
- Increase / (decrease) in provisions	(2,402)	(8,650)
- Increase / (decrease) in other liabilities	-	(15,000)
Net cash flows from operating activities	136,319	33,928

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft amounting to $550,000 (2018: $550,000). This may be terminated at any time at the option of the bank. At 30 June 2019, $323,513 of this facility was used (2018: $439,864). Variable interest rates apply to these overdraft facilities.

19. 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 the board members 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.

Notes to the financial statements (continued)

19. Key management personnel and related party disclosures (continuted)

(c) Transactions with key management personnel and related parties

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

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
Benchmark Approvals Pty Ltd - Irena Peoples is the Company Secretary.	Outsourcing expenses	4,350

Ormond-McKinnon Community Enterprises Limited has not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

(d) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. 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 (2018: 100%).

23. Commitments

Operating lease commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	48,409	47,590
- between 12 months and five years	-	48,274
Minimum lease payments	48,409	95,864

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.

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

24. Company details

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

Notes to the financial statements (continued)

25. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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 9 *Financial Instruments* as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	4,337	(659)
Trade and other receivables	6	41,598	40,280
Total financial assets		45,935	39,621
Financial liabilities			
Trade and other payables	11	50,885	69,638
Bank overdraft	12	323,513	439,864
Total financial liabilities		374,398	509,502

(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.

25. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2018: 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 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $226,487 (2018: $110,136).

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 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.00%	4,337	4,337	-	-
Trade and other receivables		41,598	41,598	-	-
Total anticipated inflows		45,935	45,935	-	-
Financial liabilities					
Trade and other payables		50,885	50,885	-	-
Bank overdraft *	3.69%	323,513	323,513	-	-
Total expected outflows		374,398	374,398	-	-
Net inflow / (outflow) on financial instruments		(328,463)	(328,463)	-	-

Notes to the financial statements (continued)

25 Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	%	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.00%	(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)	-

* 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.

The primary risks the company is exposed to is interest rate risk. The company has no exposure to fluctuations in foreign currency or other price risk.

Interest rate risk
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 instruments that primarily expose the company to interest rate risk are borrowings.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 0.5% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

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 7 to 35 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 2019 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.

Kannan Nair
Director

Signed at Ormond on 26 September 2019

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Ormond-McKinnon Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2019, 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 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 2019 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to note 1(a) to the financial statements which highlights a material uncertainty regarding the going concern basis of accounting. The company has a net current asset deficiency of $327,659 as at 30 June 2019. Furthermore, included within the assets is a deferred tax asset $207,802 in relation to carried forward tax losses whose value is dependent upon the realisation of future taxable profits upon which the tax loses can be utilised. As stated in note 1(a), these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. 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.

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 for the Audit of the Financial Report

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.

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 2019, 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: 30 September 2019

Ormond-McKinnon Community Bank Branch
485 North Road, Ormond VIC 3204
Phone: (03) 9576 8211
Email: OrmondMcKinnonMailbox@bendigobank.com.au

Franchisee:
Ormond-McKinnon Community Enterprises Limited
485 North Road, Ormond VIC 3204
Phone: (03) 9576 8211
Email: OMCommunityBank@gmail.com
ABN: 62 131 468 703

www.bendigobank.com.au/ormond-mckinnon
www.facebook.com/OrmondMcKinnonCommunityBankBranch

Share Registry:
The Company Secretary
Ormond-McKinnon Community Enterprises Limited
485 North Road, Ormond VIC 3204
Postal Address: PO Box 303, Ormond VIC 3204
Phone: (03) 9576 8211
Email: OMCommunityBank@gmail.com

(DATE: 10/19)