Katoomba & Upper Blue Mountains Community Enterprise Limited

ABN 55 134 947 201

ANNUAL REPORT 2013

Contents

Chairman's report

For year ending 30 June 2013

I am pleased to report on the performance of Katoomba and Upper Blue Mountains Community Enterprise Ltd for the financial year ended 30 June 2013.

At this time last year I was able to report a 27% increase in business during the reporting period. For the corresponding period to 30 June 2013 the rate of growth has accelerated and our total business on the books has grown by a further 45%. This is clearly a very pleasing result. In saying this however your Directors are very mindful that the company has still to achieve profitability and hence the payment of dividends. I thank our shareholders for their patience in this regard and reassure them that milestone is drawing closer.

Our pipeline of business in process continues to look promising for the coming year.

This continued success is a credit to our Branch Manager, Brigitte MacKenzie and our staff, about whom I often hear unsolicited praise. We have also been ably assisted by our Business Banking team in the city.

The company has again this year been able to support a number of community groups and activities with sponsorships being provided to many sporting, educational and community welfare organisations in our local area. A listing of these organisations appears later in this report. Community support is one of our central reasons for being in business and we look forward to building on these programs year by year as our ability to do so increases. We do of course happily receive input from shareholders about what might be seen as priorities for support.

While the primary role of our sponsorship program is to support community aspirations and needs, it is also seen as assisting with business growth.

My sincere thanks to the staff and to our volunteer Directors for the effort and enthusiasm they have again put into the last 12 months.

As I have mentioned before, I encourage all shareholders to support our **Community Bank®** branch by making use of it where possible for all your banking and insurance requirements.

The Board is confident that the company can look forward to continued growth in the 2013/14 financial year.

Robert Stock
Chairman

Manager's report

For year ending 30 June 2013

Welcome to the annual report for the Katoomba & Upper Mountains **Community Bank®** Branch.

We have had some excellent outcomes for the community in 2012/13. Since the branch opened for business in December 2009 we have distributed more than $80,000 in community grants and sponsorships to worthwhile groups and projects. We have only been able to achieve this milestone with the continuing support of members of the community who choose to do their banking with us.

On 30 June 2013 we had just over $48 million in business on our books, with approximately 64% uptake by shareholders taking advantage of our competitive range of products, and the exceptional service offered by our friendly team.

We have been heavily involved with business development during this financial year, attending, and participating in, many community events. We are also continuing to work on the delivery outcomes of our community forum from last year, which created a community wish list for us to work on well into the future.

I would like to take this opportunity to thank the staff, Liz, Kerrie, Sue and Patricia; the Board of Directors and the Bendigo and Adelaide Bank support team for all their assistance during this very busy year, helping us to achieve our goals and work towards the success of our business.

I would also personally like to thank all the customers who have already transferred their loans and everyday banking to our **Community Bank®** branch.

Those of you who have not yet done so, don't forget that we offer the full range of banking and related services, but with at least 80% of our profits being put to work in our community. Please come and join us.

Brigitte Mackenzie
Branch Manager

Sponsorships and donations

During the year ended 30 June 2013 financial support, totalling more than $42,600, was provided to the following organisations and community projects.

WIMLAH Women and Children's Refuge for The Drive Program
Katoomba Theatre Company towards establishment of website and design of logo
Springwood Public School P&C Association for the Festival of Green
Blackheath Rhododendron Festival Inc. for its 60th Anniversary Celebration
Wentworth Falls Rural Fire Brigade for upgrade and upkeep of UHF radios and head lamps
Blue Mountains Lithgow & Oberon Tourism for 2012 Festival of Walking
Greystanes Disability Services for 2012 Fundraising Dinner
Blue Mountains International Day for People with Disabilities for 2012 Celebration of Achievements
Hazelbrook Football Club for medals for Junior Presentation Gala Day
Wentworth Falls Public School P&C Association for 2012 Falls Arts Festival
Katoomba North Public School P&C Association for 2012 Katoomba Footlight Festival
Department of Education and Communities Vision Support Service for attendance by Katoomba High School students at State Vision Camp 2012
State Emergency Services for communications trailer
Kedumba Trust for the 2012 Kedumba Drawing Award
Jeans for Genes for the Blue Mountains Country Jamm for Genes
Mid Mountains Neighbourhood Centre for 2012 Love Lawson Festival
Arthritis NSW/ Osteoporosis NSW (Blue Mountains Branch) for Community Osteoporosis Education Seminar
Hazelbrook Association for Carols in Gloria Park
Katoomba Area Climate Action Now for launch of Blue Mountains Renewable Energy Co-op
South Katoomba Rural Fire Brigade for fire fighting equipment
Katoomba Theatre Company for costumes and props for Wally & Po
1 in 5 Creative Arts Association (Upper Mountains/Lithgow) for printing of poetry books
Springwood High School for Macquarie Youth Leadership Forum
Katoomba Primary School for Community Access Programme
Blue Mountains Lithgow & Oberon Tourism for The Roaring 20's and All That Jazz Festival 2013
Earth Recovery Australia for Soul Kitchen project
Sport for Jove Theatre Co for the 2103 Leura Shakespeare Festival
Uniting Church Katoomba for Blue Mountains Uniting Open Hearth (Branch staff sponsorship)
Bent Art for the 2103 Bent Art Exhibition
Dianella Cottage for Wise Woman's Day program

Sponsorships and donations (continued)

Blackheath Area Men's Shed for internet service for computer room
Greystanes Foundation for 2013 Greystanes Golf Day
Blue Fringe Arts (auspiced by Springwood Neighbourhood Centre) for 2013 Literary Awards
Wires Blue Mountains for purchase of equipment for volunteers
Rotary Club of Central Blue Mountains for Charity Golf Day for The Children's Hospital at Westmead
Winter Magic Festival 2013
Blue Mountains Folk Music Festival
Blue Gum Housing Women's Refuge
Katoomba North Primary School P&C Association for Breakfast Club
Katoomba Cricket Club
Blue Mountains Basketball Association
Lawson Public School P&C Association for multi-purpose sports court
Wentworth Falls Chamber of Commerce for printing of A Bicentennial History of Wentworth Falls
Blackheath Cricket Club for purchase of new equipment
Katoomba Theatre Company for launch of Youth Theatre and Education Programme
Blue Mountains City RSL Band for training of young players
Iris Society of Australia (NSW) for 2013 National Iris Convention
Blue Mountains BMX Club Inc for purchase of marquee
Kirinari Upper Blue Mountains for battery pack for wheelchairs
Earth Recovery Australia for Blue Mountains Soul Kitchen project
NSW YMCA Youth Parliament (2 participants)
Katoomba Cricket Club for junior cricket program
Katoomba Leura Wentworth Falls Hospital Auxiliary for 8th Annual Hospital Variety Concert
Blue Mountains Folk for Lawson Live
Bandits Basketball Team for new uniforms
Greystanes Foundation for Greystanes 2013 Gala Dinner

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Robert Stock Chairman Board member since Jan 2009	B.Sc. (ARCH) Dip. Ed	Currently a Councillor of the Blue Mountains City Council & Director of Kimbert Holdings Pty Ltd.
Mark John Jarvis Director / Company Secretary Board member since Jan 2009	B.Comm (UNSW)	Hotel Manager & President of Katoomba Chamber of Commerce & Community.
Peter Newton Carroll Director Board member since Jan 2009	Bachelor of Rural Science (UNE) Master of Rural Science (UNE)	Retired International Development Banker and Vice President of Katoomba Chamber of Commerce & Community. Director of Probus South Pacific Ltd and CONNECT.
Linda Colless Director Board member since Jan 2009	Dip. T.E.C.E. B.Ed E.C.E.	Early Childhood Teacher
Anne Catherine Elliott Director Board member since Jan 2009	Dip. Teach (Kuringai) Technical Teacher Edn Course, Sydney Teachers College	Former Bed & Breakfast Owner/Manager Convivium Leader, Slow Food Blue Mountains Vice-Chair, Food & Wine Advisory Group
Timothy Francis Goodwin Director Board member since Jan 2009 (Resigned April 2013)		Extensive experience in marketing and commercial management. Former operator of retail business.
Christine Dorinda Thompson Director Board member since Jan 2009	B.Arts (Eng Lit & Sociology)	Fomer Business Owner and Managing Director of Swaggy Leather Co Pty Ltd. Student Coordinator, University of Notre Dame School of Medicine.
Jane Canfield Director Board member since Jan 2009		Professional artist (painter & graphic designer). Prior Vice Chair of Katoomba Chamber of Commerce & Community. WIRES volunteer. Involved in family B&B business.

Directors (continued)

Charles Brooke Broughton Director Board member since Aug 2010	LL.B. (Auckland)	Retired Professional Association Executive Vice President, Leura Gardens Festival Member, Audit and Risk Committee, Blue Mountains City Council.
Arnold Percy Director Board member since Jan 2009		After a career in professional photography, operates a retail homewares and gift business .

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Review of operations

The loss of the company for the financial year after provision for income tax was $100,763 (2012 loss: $151,096), which is a 33% improvement on the previous year.

The net assets of the company are $531,361 (2012: $632,124).

Dividends

No dividends were declared or paid during the year.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

<u>Remuneration policy</u>

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration report (continued)

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Katoomba & Upper Blue Mountains Community Enterprises Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $nil for the year ended 30 June 2013.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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

Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings #
Robert Stock	10(12)
Mark John Jarvis	8(12)
Peter Newton Carroll	11(12)
Linda Colless	6(12)
Anne Catherine Elliott	10(12)
Timothy Francis Goodwin	N/A
Christine Dorinda Thompson	11(12)
Jane Canfield	9(12)
Charles Brooke Broughton	12(12)
Arnold Percy	7(12)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - leave of absence from October 2012, resigned April 2013.

Directors' report (continued)

Likely developments

The company will continue its policy of providing banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Mark Jarvis has been the Company Secretary of Katoomba and Upper Blue Mountains Community Enterprise Limited since 9 December 2008. Mark was the financial controller for an ASX listed company and the Company Secretary for many of the smaller companies within the group. He is currently the general Manager and co-owner of a hotel as well as the Secretary for the company that owns the hotel.

Non audit services

The Directors in accordance with advice from the Board, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

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 10 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 Katoomba on 29 October 2013.

Robert Stock
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Katoomba and Upper Blue Mountains Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated at Bendigo, 29 October 2013

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	407,020	302,372
Employee benefits expense	3	(278,409)	(250,945)
Depreciation and amortisation expense	3	(47,485)	(47,265)
Finance costs	3	(1)	-
Bad and doubtful debts expense	3	(338)	(232)
Other expenses		(173,427)	(179,243)
Operating profit/(loss) before charitable donations & sponsorships		**(92,640)**	**(175,313)**
Charitable donations and sponsorships		(42,658)	(30,990)
Profit/(loss) before income tax expense		**(135,298)**	**(206,303)**
Tax expense / (benefit)	4	34,535	55,207
Profit/(loss) for the year		**(100,763)**	**(151,096)**
Other comprehensive income		-	-
Total comprehensive income		**(100,763)**	**(151,096)**
Profit/(loss) attributable to:			
Members of the company		(100,763)	(151,096)
Total		**(100,763)**	**(151,096)**

Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	(9.16)	(13.74)
- diluted for profit / (loss) for the year	20	(9.16)	(13.74)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	120,060	218,216
Trade and other receivables	7	53,805	38,881
Total current assets		**173,865**	**257,097**
Non-current assets			
Property, plant and equipment	8	150,370	174,759
Deferred tax asset	4	216,724	182,189
Intangible assets	9	22,000	44,000
Total non-current assets		**389,094**	**400,948**
Total assets		**562,959**	**658,045**
Liabilities			
Current liabilities			
Trade and other payables	10	22,209	16,659
Provisions	11	9,389	9,262
Total current liabilities		**31,598**	**25,921**
Total liabilities		**31,598**	**25,921**
Net assets / (liabilities)		**531,361**	**632,124**
Equity			
Issued capital	12	1,090,278	1,090,278
Retained earnings / (accumulated losses)	13	(558,917)	(458,154)
Total equity		**531,361**	**632,124**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011		**1,100,010**	**(307,058)**	**792,952**
Total comprehensive income for the year		-	(151,096)	(151,096)
Transactions with owners, in their capacity as owners				
Share issue costs		(9,732)	-	(9,732)
Dividends paid or provided	21	-	-	-
Balance at 30 June 2012		**1,090,278**	**(458,154)**	**632,124**
Balance at 1 July 2012		**1,090,278**	**(458,154)**	**632,124**
Total comprehensive income for the year		-	(100,763)	(100,763)
Transactions with owners, in their capacity as owners				
Share issue costs		-	-	-
Dividends paid or provided	21	-	-	-
Balance at 30 June 2013		**1,090,278**	**(558,917)**	**531,361**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		307,831	187,031
Payments to suppliers and employees		(411,819)	(363,760)
Dividend revenue received		-	-
Interest paid		(1)	-
Interest received		6,929	17,162
Net cash flows from/(used in) operating activities	**14b**	**(97,060)**	**(159,567)**
Cash flows from investing activities			
Purchase of property, plant & equipment		(1,096)	(3,377)
Net cash flows from/(used in) investing activities		**(1,096)**	**(3,377)**
Cash flows from financing activities			
Dividends paid		-	-
Net cash flows from/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash held		**(98,156)**	**(162,944)**
Cash and cash equivalents at start of year		218,216	381,160
Cash and cash equivalents at end of year	**14a**	**120,060**	**218,216**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Katoomba & Upper Blue Mountains Enterprises Limited. Katoomba & Upper Blue Mountains Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 October 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the 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.

(b) Going concern basis

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that it is reasonably forseeable 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 after consideration of the following:

(i) The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. The company has reported a loss before tax of $135,298 (2012: 206,303) for the year ended 30 June 2013. The company has budgeted for a loss before tax of $56,473 for the 2013/14 year. The Directors will continue to review their growth forecast budget and cashflows throughout the 2013/14 year.

(ii) While the company has budgeted for a loss of $56,473 in the 2014 year, the budgeted expenditure includes $47,000 non-cash depreciation and amortisation. In addition, budgeted expenditure includes $45,000 for Community Grants.

(c) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Note 1. Summary of significant accounting policies (continued)

(c) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets has been reviewed at each reporting date and the Directors are satisfied that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(d) Property, plant and equipment

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

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

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	10%
Plant & equipment	15%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(e) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Note 1. Summary of significant accounting policies (continued)

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

The GST components of investing and 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.

(g) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(i) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(k) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company and are recognised as a current liability.

Note 1. Summary of significant accounting policies (continued)

(l) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(m) Loans and borrowings

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

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 1. Summary of significant accounting policies (continued)

(o) Comparative figures

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

(p) 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 changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 2. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	**400,091**	**285,210**
Other revenue		
- interest received	**6,929**	**17,162**
Total revenue	**407,020**	**302,372**

	2013 $	2012 $

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	253,705	227,290
- superannuation costs	21,665	19,517
- workers' compensation costs	754	640
- other costs	2,285	3,498
	278,409	**250,945**
Depreciation of non-current assets:		
- plant and equipment	4,334	4,114
- leasehold improvements	21,151	21,151
Amortisation of non-current assets:		
- intangible assets	22,000	22,000
	47,485	**47,265**
Finance costs:		
- Interest paid	1	-
Bad debts	338	232

Note 4. Tax expense

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	(40,589)	(61,891)
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	6,054	6,684
Current income tax expense	**(34,535)**	**(55,207)**
Income tax attributable to the entity	**(34,535)**	**(55,207)**
The applicable weighted average effective tax rate is	-	-
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable. (refer notes 1(b) and 1(p)	**216,724**	**182,189**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

	2013 $	2012 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,100	3,900
- Taxation services	500	500
	4,600	**4,400**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**120,060**	**218,216**

Note 7. Trade and other receivables

Current

Trade debtors	**53,805**	**38,881**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	53,805	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**53,805**	**-**	**-**	**-**	**-**	**-**
2012						
Trade receivables	38,881	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**38,881**	**-**	**-**	**-**	**-**	**-**

	2013 $	2012 $

Note 8. Property, plant and equipment

	2013 $	2012 $
Leasehold improvements		
At cost	211,515	211,515
Less accumulated depreciation	(75,791)	(54,640)
	135,724	**156,875**
Plant and equipment		
At cost	29,876	28,780
Less accumulated depreciation	(15,230)	(10,896)
	14,646	**17,884**
Total written down amount	**150,370**	**174,759**
Movements in carrying amounts		
Leashold improvements		
Balance at the beginning of the reporting period	156,875	178,026
Additions	-	-
Disposals	-	-
Depreciation expense	(21,151)	(21,151)
Balance at the end of the reporting period	**135,724**	**156,875**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	17,884	18,621
Additions	1,096	3,377
Disposals	-	-
Depreciation expense	(4,334)	(4,114)
Balance at the end of the reporting period	**14,646**	**17,884**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(8,000)	(6,000)
	2,000	**4,000**

	2013 $	2012 $

Note 9. Intangible assets (continued)

	2013 $	2012 $
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(80,000)	(60,000)
	20,000	**40,000**
Total Intangible assets	**22,000**	**44,000**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,000	6,000
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	**2,000**	**4,000**
Preliminary expenses		
Balance at the beginning of the reporting period	44,000	66,000
Additions	-	-
Disposals	-	-
Amortisation expense	(22,000)	(22,000)
Balance at the end of the reporting period	**22,000**	**44,000**

Note 10. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
Trade creditors	5,351	435
Other creditors and accruals	16,858	16,224
	22,209	**16,659**

Note 11. Provisions

	2013 $	2012 $
Employee benefits	**9,389**	**9,262**
Movement in employee benefits		
Opening balance	9,262	7,035
Additional provisions recognised	20,483	19,773
Amounts utilised during the year	(20,356)	(17,546)
Closing balance	**9,389**	**9,262**

	2013 $	2012 $
Note 11. Provisions (continued)		
Current		
Annual leave	9,389	9,262
Total provisions	**9,389**	**9,262**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

Note 12. Share capital

	2013 $	2012 $
1,100,010 Ordinary shares fully paid of $1 each	1,100,010	1,100,010
Less: Equity raising costs	(9,732)	(9,732)
	1,090,278	**1,090,278**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,100,010	1,100,010
Shares issued during the year	-	-
At the end of the reporting period	**1,100,010**	**1,100,010**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

Note 12. Share capital (continued)

Capital management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

There were no changes in the company’s approach to capital management during the year.

	2013 $	2012 $
Note 13. Retained earnings / (accumulated losses)		
Balance at the beginning of the reporting period	(458,154)	(307,058)
Profit/(loss) after income tax	(100,763)	(151,096)
Balance at the end of the reporting period	**(558,917)**	**(458,154)**
Note 14. Statement of cash flows		
(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows		
As per the statement of financial position	120,060	218,216
less Bank overdraft	-	-
As per the statement of cash flow	**120,060**	**218,216**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	(100,763)	(151,096)
Non cash items		
- Depreciation	25,485	25,265
- Amortisation	22,000	22,000

	2013 $	2012 $
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,924)	(5,886)
- (Increase) decrease in deferred tax asset	(34,535)	(55,207)
- Increase (decrease) in payables	5,550	3,130
- Increase (decrease) in provisions	127	2,227
Net cash flows from/(used in) operating activities	**(97,060)**	**(159,567)**

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

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

The Katoomba & Upper Blue Mountains Community Enterprises Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $nil for the year ended 30 June 2013.

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Katoomba & Upper Blue Mountains Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Robert Stock	8,001	8,001
Mark John Jarvis	43,702	43,702
Peter Newton Carroll	10,001	10,001
Linda Colless	1,001	1,001
Anne Catherine Elliott	4,001	4,001
Timothy Francis Goodwin	10,001	10,001
Christine Dorinda Thompson	1,001	1,001
Jane Canfield	501	501
Charles Brooke Broughton	1,001	1,001
Arnold Percy	3,001	3,001

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Katoomba, New South Wales. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

Note 19. Company details

The registered office & principal place of business is: 117 Katoomba Street, Katoomba NSW 2780

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

	2013 $	2012 $
Profit/(loss) after income tax expense	**(100,763)**	**(151,096)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,100,010**	**1,100,010**

Note 21. Dividends paid or provided for on ordinary shares

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

Note 22. Financial risk management

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

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	120,060	218,216
Trade and other receivables	7	53,805	38,881
Total financial assets		**173,865**	**257,097**
Financial liabilities			
Trade and other payables	10	22,209	16,659
Total financial liabilities		**22,209**	**16,659**

Note 22. Financial risk management (continued)

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 company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**120,060**	**218,216**

(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.

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	10	22,209	22,209	–	–
Total expected outflows		**22,209**	**22,209**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	120,060	120,060	–	–
Trade and other receivables	7	53,805	53,805	–	–
Total anticipated inflows		**173,865**	**173,865**	**–**	**–**
Net (outflow)/inflow financial instruments		**151,656**	**151,656**	**–**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	10	16,659	16,659	–	–
Total expected outflows		**16,659**	**16,659**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	218,216	218,216	–	–
Trade and other receivables	7	38,881	38,881	–	–
Total anticipated inflows		**257,097**	**257,097**	**–**	**–**
Net (outflow)/inflow financial instruments		**240,438**	**240,438**	**–**	**–**

Note 22. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

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

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	4.19%	4.27%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,201	1,201
	1,201	**1,201**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	2,182	2,182
	2,182	**2,182**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Katoomba & Upper Blue Mountains Community Enterprises Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 11 to 32 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 2013 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.

Robert Stock
Director

Signed at Katoomba on 29 October 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KATOOMBA & UPPER BLUE MOUNTAINS COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Katoomba & Upper Blue Mountains Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Katoomba & Upper Blue Mountains Community Enterprise Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Katoomba & Upper Blue Mountains Community Enterprise Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 29 October 2013

Katoomba & Upper Blue Mountains **Community Bank**® Branch
117 Katoomba Street, Katoomba NSW 2780
Phone: (02) 4782 1144 Fax: (02) 4782 3033

Franchisee: Katoomba & Upper Blue Mountains Community Enterprise Limited
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(BMPAR13158) (11/13)

Bendigo Bank