



Annual Report 2014

Katoomba & Upper Blue Mountains
Community Enterprise Limited

ABN 55 134 947 201

Katoomba & Upper Blue Mountains **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2014

I am again able to report on a year of pleasing results for the period ending 30 June 2014.

The size of the business, as measured by the total book of loans and deposits, has continued to grow by a further 32% over the result of the previous year. The rate of growth has not slowed.

I believe there is cause for considerable optimism for the years ahead.


We are announcing a 3 cent per share dividend and, while this is only a small reward for the shareholders, the Board has every expectation that this can be substantially improved upon in all subsequent years.

It has made the operation of this company all the better in having had a stable group of volunteer Directors over the last five years. We have been able this year to welcome Tim Goodwin back onto the Board, but have reluctantly lost Linda Colless who has left after seven years.

Those shareholders who are also customers of course will be aware that we have had the advantage of a banking staff who, as well, have largely been with us since day one.

I believe the shareholders have again this year been well served by the efforts and enthusiasm of our Manager, Brigitte Mackenzie and our banking staff.

In December the branch will be celebrating its fifth anniversary in Katoomba Street. A lot has been achieved and your Board is confident that we can look forward to another strong year in 2014/15.



Robert Stock
Chairman

Manager's report

For year ending 30 June 2014

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

We had some excellent outcomes all round in 2013/14 with the milestone of \$125,000 in total community contributions, and, for the first time ever, a small dividend available to be paid to our shareholders.

As at the 30 June 2014, we had a total business size of approximately \$61 million made up fairly evenly of deposits and loans, which is a very healthy position for our books to be in after less than five years of operation, and, it saw us achieving growth targets in both of these areas as set by Bendigo and Adelaide for the financial year.

Our branch overall continues to grow, with more and more community groups, organisations and local residents seeing us the best option for their banking due to our community support, our local governance and focus, our fossil fuel free investment strategies, and our competitive products and services.

I would like to thank each and every customer for their support, as it is through them doing their daily banking, and our policy of returning at least 80% of net profits back into the community, that we are able to do all the good work we do for the Blue Mountains region.

I would also like to take this opportunity to personally thank the branch team of Liz, Kerrie, and Pat, as well as new staff members Adele, and Des, the Board of volunteer Directors, and Bendigo and Adelaide Bank state support team, who have all made this year's success possible.



Brigitte Mackenzie
Branch Manager

Sponsorship listing

During the year ended 30 June 2014 financial support, totalling more than \$30,000, was provided to the following organisations and community projects.

The Mid Mountains Neighbourhood Centre for the Love Lawson Festival
North Katoomba Public School for their African Childrens' Choir cultural exchange
RSCPA Katoomba – proceeds of Cupcake Day
Blue Mountains Aboriginal Culture Resource Centre for their Wagana Aboriginal Dancers performance in Scotland
Mind the Gap Pop-Up Blue Mountains for the launch of Mind the Gap
Mid-Mountains neighbourhood Centre for Yes Fest
Blackheath Rhododendron Festival Inc.for the Rhododendron Festival Art Show
North Katoomba Public School P & C Association for their Footlight Festival
Leura Gardens Festival
Mountains Outreach Community Services for their Blue Mountains Elders Reconciliation Lunch
Springwood Neighbourhood Centre for the Blue Fringe Arts project
The Hazelbrook Association for the annual Carols in Gloria Park
Springwood Neighbourhood Centre Coop Ltd for the RAMHI Acts of Kindness project
Blue Mountains Lithgow and Oberon Tourism for the Festival of Walking
The Blue Mountains Film Festival for its Behind The Scenes Project
CONNECT Child and Family Services for their Inclusion Kits
Leura Garden Force for their Planting in Public Spaces in Leura project
Blue Mountains Lithgow and Oberon Tourism for the Roaring 20's Festival
Katoomba High School Support Unit for their Food Technology Upgrade project
Katoomba High School for their Dance Studio project
Wentworth Falls Public School P & C for Blue Mountains Artfest
Australian Ecosystems Foundation Inc (Branch staff nominated sponsorship)
Blue Mountains Bush Fire Appeal
Springwood Neighbourhood Centre for the Blue Fringe Arts Literature project
Central Blue Mountains Rotary for their Charity Golf Day
Greystanes Foundation for their Greystanes Golf Day
Blue Mountains Association of Cultural Heritage Organisation for their Blue Mountains History Conference
Katoomba Devils Junior Rugby League Club
Blackheath Area Mens Shed to assist with internet access
Winter Magic Festival

Sponsorship listing (continued)

North Katoomba Public School P & C for their Breakfast Club
Blackheath Area Neighbourhood centre for their Blackheath Day celebrations
Katoomba Neighbourhood Centre for Celebrate North Katoomba
Rotary Club of Blackheath for their Anzac Day Golf Day
Scenic World Blue Mountains for advertisement in Sculpture at Scenic World catalogue
Bent Art for their annual Bent Art Exhibition
Black & Blue Group for their Varuna Writers Festival
Leura Village Association for the Leura Harvest Festival
Greystanes Foundation for their annual fundraising dinner
Australian Climbing Festival for their Australian Climbing Festival
Climate Action Blue Mountains for their Sustainability Magic Event
Katoomba Cricket Club Inc for equipment for junior players
Mount Victoria Public School P & C for their Harmony Markets
Blue Gum Montessori School Blackheath towards acoustic treatment of pre-school ceiling

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Katoomba and Upper Blue Mountains Community Enterprise Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Robert Stock Board member since Jan 2009 Chairman	B.Sc. (ARCH) Dip. Ed	Formerly a Councillor of the Blue Mountains City Council Director of Kimbert Holdings Pty Ltd.
Mark John Jarvis Board member since Jan 2009 Director Company Secretary until 23 Oct 2013	B.Comm (UNSW)	Hotel Manager President of Katoomba Chamber of Commerce & Community
Peter Newton Carroll Enterprise Limited Director	Bachelor of Rural Science (UNE) Master of Rural Science (UNE)	Retired International Development Banker Vice President of Katoomba Chamber of Commerce & Community Chairman Probus South Pacific Limited 2014-15 Director of CONNECT
Linda Colless Board member since Jan 2009 Director resigned 31 July 2014	Dip. T.E.C.E. B.Ed E.C.E.	Early Childhood Teacher
Anne Catherine Elliott Board member since Jan 2009 Director	Dip. Teach (Kuringai) Technical Teacher Edn Course, Sydney Teachers College	Former B&B Owner/Manager Convivium Leader, Slow Food Blue Mountains Vice-Chair, Food & Wine Advisory Group
Timothy Francis Goodwin Board member from Jan 2009 to April 2013 Director re-appointed 15 April 2014		Extensive experience in marketing and commercial management Former operator of retail business

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Christine Dorinda Thompson Board member since Jan 2009 Director Company Secretary from 23 Oct 2013	Bachelor of Arts (CSU)	Former business owner and managing Director of Swaggy Leather Co Pty Ltd. Student Coordinator, University of Notre Dame School of Medicine
Jane Canfield Board member since Jan 2009 Director		Professional artist (painter & graphic designer) Prior Vice President of Katoomba Chamber of Commerce & Community. WIRES volunteer Involved in family B&B business
Charles Brooke Broughton Board member since Aug 2010 Director Company Secretary from 23 October 2013	LL.B. (Auckland)	Retired Professional Association Executive Vice President, Leura Gardens Festival Inc. Member, Audit & Risk Committee, Blue Mountains City Council
Arnold Percy Board member since Jan 2009 Director		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 have 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 \$48,021 (2013 loss: \$100,763), which is a 52% improvement on the previous year.

The net assets of the company are \$483,340 (2013: \$531,361).

Dividends

No dividends were proposed or paid during the financial 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.

Directors' report (continued)

Remuneration report

Remuneration policy

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

Remuneration benefits and payments

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

The Katoomba and Upper Blue Mountains Community Enterprise 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 utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$nil for the year ended 30 June 2014.

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

Director	Board meetings #
Robert Stock	9 (11)
Mark John Jarvis	8 (11)
Linda Colless	3 (11)*
Anne Catherine Elliott	11 (11)
Timothy Francis Goodwin	3 (3)
Christine Dorinda Thompson	9 (11)
Jane Canfield	3 (11)**

Directors' report (continued)

Directors' meetings (continued)

Director	Board meetings #
Charles Brooke Broughton	11 (11)
Arnold Percy	6 (11)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

* Leave of absence from Jan 2014. ** Leave of absence Feb-May 2014.

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

Brooke Broughton and Chrissie Thompson were appointed joint company secretaries on 23 October 2013 in place of Mark Jarvis, who retains the Treasurer's role.

Non audit services

The Board of 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 Audit Committee 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

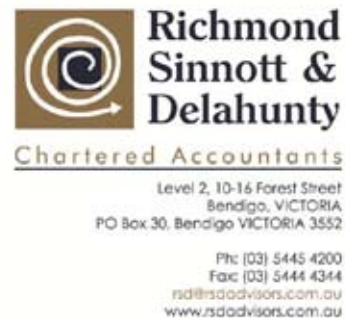
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Katoomba on 24 September 2014.



Robert Stock
Director

Auditor's independence declaration



24 September 2014

The Directors
Katoomba & Upper Blue Mountains
Community Enterprise Limited
PO Box 28
Katoomba NSW 2780

Dear Directors,

To the Directors of Katoomba & Upper Blue Mountains Community Enterprise Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'P. P. Delahunty', is written over a light blue horizontal line.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue	2	486,037	407,020
Employee benefits expense	3	(289,611)	(278,409)
Depreciation and amortisation expense	3	(47,904)	(47,485)
Finance costs	3	-	(1)
Bad and doubtful debts expense	3	(1,273)	(338)
Rental expense		(41,190)	(36,287)
Other expenses		(135,137)	(137,140)
Operating loss before charitable donations & sponsorships		(29,078)	(92,640)
Charitable donations and sponsorships		(30,124)	(42,658)
Loss before income tax expense		(59,202)	(135,298)
Tax benefit	4	11,181	34,535
Loss for the year		(48,021)	(100,763)
Other comprehensive income		-	-
Total comprehensive income		(48,021)	(100,763)
Loss attributable to members of the company		(48,021)	(100,763)
Total comprehensive income attributable to members of the company		(48,021)	(100,763)
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(4.37)	(9.16)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2014

	Notes	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	6	110,530	120,060
Trade and other receivables	7	56,894	53,805
Total current assets		167,424	173,865
Non-current assets			
Property, plant and equipment	8	126,558	150,370
Deferred tax asset	4	227,905	216,724
Intangible assets	9	-	22,000
Total non-current assets		354,463	389,094
Total assets		521,887	562,959
Liabilities			
Current liabilities			
Trade and other payables	10	28,256	22,209
Provisions	11	10,291	9,389
Total current liabilities		38,547	31,598
Total liabilities		38,547	31,598
Net assets		483,340	531,361
Equity			
Issued capital	12	1,090,278	1,090,278
Accumulated losses	13	(606,938)	(558,917)
Total equity		483,340	531,361

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
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				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2013		1,090,278	(558,917)	531,361
Balance at 1 July 2013		1,090,278	(558,917)	531,361
Total comprehensive income for the year		-	(48,021)	(48,021)
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2014		1,090,278	(606,938)	483,340

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		411,777	307,831
Payments to suppliers and employees		(422,792)	(411,819)
Interest paid		-	(1)
Interest received		3,577	6,929
Net cash used in operating activities	14	(7,438)	(97,060)
Cash flows from investing activities			
Purchase of property, plant & equipment		(2,092)	(1,096)
Net cash flows used in investing activities		(2,092)	(1,096)
Net decrease in cash held		(9,530)	(98,156)
Cash and cash equivalents at beginning of financial year		120,060	218,216
Cash and cash equivalents at end of financial year	6	110,530	120,060

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Katoomba and Upper Blue Mountains Community Enterprise Limited.

Katoomba and Upper Blue Mountains Community Enterprise 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 24 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Katoomba.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- 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.

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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 measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Notes to the financial statements (continued)

(c) Fair value of assets and liabilities

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. 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.

Depreciation

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

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Leasehold improvements	4 - 5%
Plant & equipment	10 - 20%

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

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Leases (continued)

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

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

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

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits (continued)

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) 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 Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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

(k) Revenue

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, dividend and fee revenue is recognised when earned.

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

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(m) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(o) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) Loans and borrowings

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

(q) Provisions

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

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

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

(r) 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.

(s) Comparative figures

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(t) 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 required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

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 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.

(u) 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.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Classification and subsequent measurement (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition 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.

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 2. Revenue and other income

Revenue

- services commissions	482,460	400,091
	482,460	400,091

Other revenue

- interest received	3,577	6,929
- other revenue	-	-
	3,577	6,929
Total revenue	486,037	407,020

Note 3. Expenses

Employee benefits expense

- wages and salaries	264,260	253,705
- superannuation costs	23,732	21,665
- other costs	1,619	3,039
	289,611	278,409

Depreciation of non-current assets:

- plant and equipment	4,753	4,334
- leasehold improvements	21,151	21,151

Amortisation of non-current assets:

- intangible assets	22,000	22,000
	47,904	47,485

Finance costs:

- Interest paid	-	1
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Bad debts	1,273	338
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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:

Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(17,761)	(40,589)
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 4. Tax expense (continued)		
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	6,580	6,054
Current income tax expense	(11,181)	(34,535)
Income tax attributable to the entity	(11,181)	(34,535)
The applicable weighted average effective tax rate is	-18.89%	-25.53%
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	227,905	216,724

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,300	4,100
- Taxation services	500	500
- Share registry services	-	-
	4,800	4,600

Note 6. Cash and cash equivalents

Cash and cash equivalents	110,530	120,060
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Note 7. Trade and other receivables

Current

Trade debtors	56,894	53,805
Other assets	-	-
	56,894	53,805

Notes to the financial statements (continued)

Note 7. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7.

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	
2014						
Trade receivables	56,894	-	-	-	-	56,894
Other receivables	-	-	-	-	-	-
Total	56,894	-	-	-	-	56,894
2013						
Trade receivables	53,805	-	-	-	-	53,805
Other receivables	-	-	-	-	-	-
Total	53,805	-	-	-	-	53,805

	2014	2013
	\$	\$

Note 8. Property, plant and equipment

Leasehold improvements

At cost	211,515	211,515
Less accumulated depreciation	(96,942)	(75,791)
	114,573	135,724

Plant and equipment

At cost	31,968	29,876
Less accumulated depreciation	(19,983)	(15,230)
	11,985	14,646
Total written down amount	126,558	150,370

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	135,724	156,875
Additions	-	-
Disposals	-	-
Depreciation expense	(21,151)	(21,151)
Balance at the end of the reporting period	114,573	135,724
Plant and equipment		
Balance at the beginning of the reporting period	14,646	17,884
Additions	2,092	1,096
Disposals	-	-
Depreciation expense	(4,753)	(4,334)
Balance at the end of the reporting period	11,985	14,646

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(8,000)
	-	2,000
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(80,000)
	-	20,000
Total Intangible assets	-	22,000
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	2,000	4,000
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	-	2,000

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 9. Intangible assets (continued)		
Preliminary expenses		
Balance at the beginning of the reporting period	22,000	44,000
Additions	-	-
Disposals	-	-
Amortisation expense	(22,000)	(22,000)
Balance at the end of the reporting period	-	22,000

Note 10. Trade and other payables

Current

Unsecured liabilities:

Trade creditors	5,331	5,351
Other creditors and accruals	22,925	16,858
	28,256	22,209

Note 11. Provisions

Employee benefits	10,291	9,389
Movement in employee benefits		
Opening balance	9,389	9,262
Additional provisions recognised	22,342	20,483
Amounts utilised during the year	(21,440)	(20,356)
Closing balance	10,291	9,389
Current		
Annual leave	10,291	9,389
Total provisions	10,291	9,389

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.

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 12. Share capital		
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.

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 2014 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.

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 13. Accumulated losses		
Balance at the beginning of the reporting period	(558,917)	(458,154)
Profit/(loss) after income tax	(48,021)	(100,763)
Balance at the end of the reporting period	(606,938)	(558,917)

Note 14. Statement of cash flows

Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Loss after income tax	(48,021)	(100,763)
Non cash items		
- Depreciation	25,904	25,485
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(3,089)	(14,924)
- (Increase) decrease in deferred tax asset	(11,181)	(34,535)
- Increase (decrease) in payables	6,047	5,550
- Increase (decrease) in provisions	902	127
Net cash flows from/(used in) operating activities	(7,438)	(97,060)

Note 15. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- no later than 12 months	10,250	41,000
- between 12 months and 5 years	-	10,250
- greater than 5 years	-	-
	10,250	51,250

The property lease is non-cancellable with a 5 year term, and rent payable monthly in advance. The lease has two, 5-year extension options available.

Notes to the financial statements (continued)

Note 16. 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 and Upper Blue Mountains Community Enterprise 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 utilise the benefits.

(d) Key management personnel shareholdings

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

	2014	2013
Robert Stock	8,001	8,001
Mark John Jarvis	46,201	46,201
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.

Notes to the financial statements (continued)

Note 17. 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 18. Contingent liabilities and assets

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

Note 19. 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, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 20. Company details

The registered office and principle place of business is: 117 Katoomba Street, Katoomba NSW 2780

Note 21. 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:

	2014	2013
	\$	\$
Profit/(loss) after income tax expense	(48,021)	(100,763)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,100,010	1,100,010

Note 22. Dividends paid or provided for on ordinary shares

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

Notes to the financial statements (continued)

Note 23. 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	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents	6	110,530	120,060
Trade and other receivables	7	56,894	53,805
Total financial assets		167,424	173,865
Financial liabilities			
Trade and other payables	10	28,256	22,209
Total financial liabilities		28,256	22,209

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, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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. 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 (2013: 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.

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 23. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents:

A rated	110,530	120,060
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(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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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 2014	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
Trade and other payables	10	28,256	28,256	-	-
Total expected outflows		28,256	28,256	-	-
Financial assets - realisable					
Cash & cash equivalents	6	110,530	110,530	-	-
Trade and other receivables	7	56,894	56,894	-	-
Total anticipated inflows		167,424	167,424	-	-
Net (outflow)inflow on financial instruments		139,168	139,168	-	-

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
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 on financial instruments		151,656	151,656	-	-

(c) Market risk

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

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

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 2014		
+/- 1% in interest rates (interest income)	1,105	1,105
	1,105	1,105
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,201	1,201
	1,201	1,201

The company has no exposure to fluctuations in foreign currency.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(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 arms 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 and Upper Blue Mountains Community Enterprise Limited, the Directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 11 to 36 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2014 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.

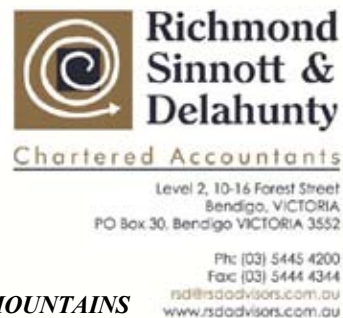
This resolution is made in accordance with a resolution of the Board of Directors.



Robert Stock
Director

Signed at Katoomba on 24 September 2014.

Independent audit report



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 2014, 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.

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

Independent audit report (continued)

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 2014 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, 24 September 2014

Katoomba & Upper Blue Mountains

Community Bank® Branch

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Franchisee: Katoomba & Upper Blue Mountains

Community Enterprise Limited

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