Katoomba & Upper Blue Mountains Community Enterprise Limited

ABN 55 134 947 201

2019 Annual Report

Katoomba & Upper Blue Mountains Community Bank Branch
Blackheath Agency

Contents

Chairman's report

For year ending 30 June 2019

I am pleased again to be able to report another good year of growth in the business. However, I have to say it was a slightly more bumpy and irregular year than we have been used to and it was only towards the end of the financial year that we got well and truly back on track.

Our move to employ an extra staff member was not as successful as we had hoped and had a short term adverse impact on our profits.

More positively, late last year we came to an agreement with the Blackheath Newsagency to open a Bendigo Bank Agency in Blackheath. We are pleased now to be able to offer full banking services to a town where the two banks that previously served it are now absent. We wish Janette and Doug every success in this project.

In December this year we will be celebrating ten years at 117 Katoomba Street. Our staff and Board are all ten years older, but you wouldn't know it. We look forward to inviting our shareholders and sponsorship recipients to a celebration of this milestone with the details to follow soon.

Finally, I have to thank our Manager, Brigitte Mackenzie, and her staff for another successful year.

Robert Stock
Chairman

Manager's report

For year ending 30 June 2019

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

The financial year of 2018/19 saw various challenges come to light in general banking and specific lending environments, but happily we as a bank have not had a case to answer and locally we continue to thrive.

I am proud to announce that since opening our doors approximately $600,000 in community grants and sponsorships have been distributed to worthwhile groups and projects in our region, and our business continues to grow as a result of the support we receive from customers in all walks of life.

I would like to take this opportunity to thank the staff, Liz, Monica, Adele and Pat; the Board of Directors, and the Bendigo and Adelaide Bank Limited support team, for all their assistance during this very busy year, in 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 and for those of you who have not, don't forget that we offer the full range of banking services available in average banks, with up to 80% of our profits put to work in your community, so come and join us.

Brigitte Mackenzie
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

2018/19 sponsorships

During the year ended 30 June 2019 financial support, totalling $92,900 was provided to the following organisations and community projects. Our support contributed to projects and activities with a total cost of $587,500.

2018/19
Sponsorships

$92,900

- Hazelbrook Association for their 2018 Family Fun Day
- Blackheath Horticultural Society for their 2018 Spring Show and Scarecrow Competition
- Blue Mountains Quilters Inc for their 2019 Springwood Quilt Show
- Ecoprofit Management for their Sunshine project – solar panels for Uniting Church
- 323 City of Blue Mountains Squadron computer modernisation project
- Katoomba North P&C Association Katoomba North Public School Breakfast Club
- NSW Canyoning Association for the establishment of NSW Canyoning Association and Festival
- Society of Mountain Artists for their annual Spring Exhibition
- Gateway Family Services for their ‘Walk with Psychosocial Recovery Tool’ drought relief program
- Mid Mountains Neighbourhood Centre for their 2018 Festival
- Toolo Limited for their repair café
- Wallerawang Public School P&C Association for their Memorial /Sensory Garden - outdoor learning area
- Lithgow Public School for their Books in Homes Australia program
- Mid Mountains Community Gardens for their drought proof gardens and pest protection project
- The Big Fix Inc for their Grounded Permaculture Social Enterprise for young people in the Blue Mountains
- Wentworth Falls Public School P&C Association for their Blue Mountains Artfest 2018
- Springwood Neighbourhood Centre for the Blue Fringe Arts Festival 2018
- Blume Illustrated for their Issue No 3
- Blue Mountains Artists Network for their Blue Mountains Creative Arts Network (BMCAN) launch
- Bent Art Inc for their 2018 bent ART Annual Arts Exhibition
- Blue Mountains Food Co-op for their Nourishing Families program
- Mountains Community Resource Network rollout of Huff (Heads up for Fire) in the Blue Mountains
- Rotary Club of Central Blue Mountains for their Australia Day Breakfast and Community Fun Day
- Cooerwull Public School P&C Association for their School Annual Fete Day
- Hazelbrook Public School P&C Association Greenhouse and Kitchen Garden project
- Lithgow Men’s Shed for repair projects in Lithgow schools and other community organisations
- Edible Garden Trail Blue Mountains to promote the positive effects of growing your own fruit and vegetables
- Orange District Basketball Association for the supply of singlets to junior and representative teams
- Vertical Film Festival for the Vertical Film and Video Festival
- Aged Care Companions for the provision of companionship for lonely, isolated people
- Blue Mountains Creative Arts Network for their Wild Mountain Collective project, highlighting the importance of Aboriginal rock art
- Blackheath Art Society for their Off the Wall 3D Exhibition
- Mountains Community Resource Network for the rollout of Huff (Heads up for Fire) in the Blue Mountains – Stage 2
- Mechanics Institute Lawson for their guitar music presentation
- Blue Mountains Grammar School for the Bendigo Katoomba Academic Prize
- Katoomba High School for the Bendigo Katoomba Academic Prize
- Weatherboard Theatre Co for their Eating Pomegranates project
- The 2019 Lady Luck Festival for their 10th anniversary event
- Blue Mountains World Heritage Institute for their Low Carbon Living 2019 project
- Leura Golf Club

2018/19 Sponsorships (continued)

Belong Blue Mountains for their Celebrating Seniors Festival 2019
Leura Gardens Festival Inc. for the 2019 Leura Gardens Festival
Leura Village Association for the 2019 Harvest Festival
Blackheath Theatre Company for their Theatre Equipment Fund
Blue Mountains Pipe Band - ongoing support
Blue Mountains Economic Enterprise for Mountains Made Campaign 3
Katoomba Hospital Auxiliary for their 2019 Annual Fete
Katoomba Junior Rugby League Club for jerseys
Blackheath Area Neighbourhood Centre for Bulgamada Big Sing Blue Mountains
Blue Mountains Aboriginal Culture Centre for Blue Mountains Olympic Elders Team “ACRC Warriors”
Central Mountains Men’s Shed for establishment of a men’s shed
Rotary Club of Blackheath for their Anzac Day Golf Classic
Blackheath Horticultural Society for their 99th Spring Flower and Craft Show
Lithgow District Football Club for their goals upgrade project
Blue Mountains Food Services for branding of meal delivery van
Winter Magic Festival Inc for their Community Arts and Performance project
Blackheath Streetscape Group for improvements to the Blackheath streetscape
Blue Mountains Dog Training Club for their 2019 Obedience Trials
Varuna The Writers House for the 2019 Blue Mountains Writers’ Festival
Wallerawang Football Club for uniforms
Belong Blue Mountains for their Volunteers Week Celebrations
Belong Blue Mountains for their World Elders Abuse Awareness Day event
Blue Mountains Bridge Club for their 2019 Annual Bridge Congress
Katoomba High School Community Organising Committee for their Centenary Dinner
Kinship at Christmas for their 2019 Christmas Lunch and present drop
Hazelbrook Association for their Hazelbrook Family Fun Day
Western Reds Basketball for assistance to compete at Basketball NSW Country Championship League
Blackheath Public School for the Wakakirri Story Dance Competition
VOILA - Blue Mountains French Choir for their choir expansion and development project
Earth Recovery Australia Limited for their food recovery work
Blue Mountains Creative Artists Network for their 2019 Creative Leaders Awards

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Directors	Details
Robert Nicholas Stock	Chairperson. B. Science (Architecture), Dip Ed. Former councillor of the Blue Mountains City Council. Director of Kimbert Holdings Pty Limited
Mark John Jarvis	Treasurer. B. Commerce (UNSW). Hotel Manager. Director of Balpar Pty Limited. President of the Katoomba Chamber of Commerce and Community. Resident of Katoomba.
Peter Newton Carroll	Chair of the Sponsorship Committee. B. Rural Science (UNE). Master of Rural Science (UNE). Retired international banker. Vice president of the Katoomba Chamber of Commerce and Community. Director of CONNECT. Resident of Leura.
Anne Catherine Elliott	Director. Dip. Teaching (Kurringai). Technical Teacher Education course - Sydney Teachers College. Former B&B owner / manager. Former school teacher. Committee member on the Katoomba Chamber of Commerce and Community. Resident of Katoomba.
Jane Cherrill Canfield	Director. Certificate in Graphic Design (Randwick TAFE). Professional artist (painter & graphic designer). Former vice president of the Katoomba Chamber of Commerce and Community. WIRES volunteer. Resident of Lidsdale.
Charles Brooke Broughton	Company Secretary. LL.B. (Auckland). Retired professional association executive. President of the Leura Gardens Festival Inc. Member of the audit and risk committee, Blue Mountains City Council. Resident of Leura.
Jennifer Joy Ross	Director. Dip. Teaching (Mitchell College). Teacher for 18 years. Co-convenor of the Friends of Blackheath Pool and Memorial Park. Member of the Blackheath Alliance. Recipient of the Blackheath Community Services Award. Resident of Blackheath.
Arnold Ferdinand Percy	Director. Operates a retail homewares and gift business in Katoomba, after a career in profession al photography. Resident of Wentworth Falls.
Christine Dorinda Thompson	Former director, resigned September 2018. B. Arts (English Literature & Sociology). Former busines owner and managing director of Swaggy Leather Co. in Katoomba. Former student coordinator, University of Notre Dame School of Medicine, Lithgow. Now resides in Brisbane, Qld.
Kerry Lee Brown	Director - appointed in December 2018. Current councillor on the Blue Mountains City Council. Former journalist working for 14 years in Manchester, UK. Resident of Wentworth Falls.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Robert Nicholas Stock	11	8
Mark John Jarvis	11	7
Peter Newton Carroll	11	8
Jennifer Joy Ross	11	10
Anne Catherine Elliott	11	10
Kerry Lee Brown	5	4
Christine Dorinda Thompson	2	2
Jane Cherrill Canfield	11	8
Charles Brooke Broughton	11	10
Arnold Ferdinand Percy	11	8

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

Company Secretary

Charles Brooke Broughton has been the Company Secretary of Katoomba and Upper Blue Mountains Community Enterprise Limited since October 2013.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $70,763 (2018 profit: $185,090), which is a 61.8% decrease as compared with the previous year.

The one year appointment of a business development manager has had an adverse impact on our result. However, the Board believes that this investment will result in improved results into the future.

Dividends

An unfranked final dividend of 5.0 cents per share was declared and paid during the year for the year ended 30 June 2019. (2018 - 5 cents unfranked)

Options

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

Significant changes in the state of affairs

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

Directors' report (continued)

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 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 19 September 2019.

Robert Stock
Director

Auditor’s independence declaration

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

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

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Katoomba & Upper Blue Mountains Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

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

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

RSD Audit

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

Dated: 19 September 2019

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue	2	910,199	904,944
Expenses			
Employee benefits expense	3	(444,627)	(368,985)
Depreciation and amortisation	3	(71,812)	(38,250)
Finance costs - interest	3	(33,416)	(16,936)
Bad and doubtful debts expense	3	(92)	(2,942)
Occupancy expenses		-	(20,239)
Insurance		(14,032)	(12,740)
Professional fees - accounting, audit & share registry		(9,130)	(9,538)
Printing & stationery		(12,435)	(9,585)
Freigt / cartage / delivery		(7,391)	(7,233)
IT expenses including equipment lease		(33,543)	(31,918)
Cleaning & rubbish removal		(8,285)	(11,674)
Rates - council & water		(3,274)	(4,426)
Electricity & gas		(3,365)	(2,953)
Agent commission		(6,458)	-
Marketing		(9,014)	(5,465)
Security monitoring		(4,426)	(6,274)
Telephone		(3,390)	(4,988)
Loss on disposal of motor vehicle	3	(4,710)	-
Other expenses		(50,294)	(37,783)
		(719,694)	**(591,929)**
Operating profit before charitable donations & sponsorship		**190,505**	**313,015**
Charitable donations and sponsorships		(92,900)	(57,719)
Profit before income tax		**97,605**	**255,296**
Income tax expense	4	(26,842)	(70,206)
Profit for the year after income tax		**70,763**	**185,090**
Other comprehensive income		-	-
Total comprehensive income for the year		**70,763**	**185,090**
Profit attributable to members of the company		70,763	185,090
Total comprehensive income attributable to members of the company		**70,763**	**185,090**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):

- basic earnings per share	18	6.43	16.83

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	340,070	224,365
Trade and other receivables	6	80,813	67,507
Financial assets	7	-	16,419
Other assets	8	5,963	5,806
Total current assets		**426,846**	**314,097**
Non-current assets			
Property, plant and equipment	9	923,931	998,842
Intangible assets	10	5,671	19,283
Deferred tax assets	4	22,187	49,029
Total non-current assets		**951,789**	**1,067,154**
Total assets		**1,378,635**	**1,381,251**
Liabilities			
Current liabilities			
Trade and other payables	12	34,450	38,711
Borrowings	13	51,060	51,060
Provisions	14	54,889	51,663
Total current liabilities		**140,399**	**141,434**
Non-current liabilities			
Borrowings	13	518,904	536,247
Total non-current liabilities		**518,904**	**536,247**
Total liabilities		**659,303**	**677,681**
Net assets		**719,332**	**703,570**
Equity			
Issued capital	15	1,090,278	1,090,278
Accumulated losses	16	(370,946)	(386,708)
Total equity		**719,332**	**703,570**

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

Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018 (reported)		1,090,278	(386,708)	703,570
Comprehensive income for the year				
Profit for the year		-	70,763	70,763
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(55,001)	(55,001)
Balance at 30 June 2019		**1,090,278**	**(370,946)**	**719,332**
Balance at 1 July 2017		1,090,278	(516,797)	573,481
Comprehensive income for the year				
Profit for the year		-	185,090	185,090
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(55,001)	(55,001)
Balance at 30 June 2018		**1,090,278**	**(386,708)**	**703,570**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		896,719	989,566
Payments to suppliers and employees		(703,846)	(670,935)
Interest paid		(33,416)	(16,936)
Interest received		173	378
Net cash flows provided by operating activities	**19b**	**159,630**	**302,073**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,000	-
Proceeds from sale of investments		16,419	-
Purchase of property, plant and equipment		-	(954,577)
Purchase of investments		-	(375)
Net cash flows from/(used in) investing activities		**28,419**	**(954,952)**
Cash flows from financing activities			
Proceeds from borrowings		-	600,000
Repayment of borrowings		(17,343)	(12,693)
Dividends paid		(55,001)	(55,001)
Net cash flows from/(used in) financing activities		**(72,344)**	**532,306**
Net increase/(decrease) in cash held		**115,705**	**(120,573)**
Cash and cash equivalents at beginning of financial year		224,365	344,938
Cash and cash equivalents at end of financial year	**19a**	**340,070**	**224,365**

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

Notes to the financial statements

For year ended 30 June 2019

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 19 September 2019.

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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Katoomba.

The branch operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Income tax

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

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

AASB 9 Financial Instruments

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

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

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

Note 1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods

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

AASB 16:

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

Based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adoopted for the year ending 30 June 2020.

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

(h) Change in accounting policies

Revenue

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

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Financial Instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories:

a) Financial assets at amortised cost

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

Financial assets at amortised cost

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

Impairment of financial assets

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

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

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

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Classification and measurement of financial liabilities

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

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

	2019 $	2018 $

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	908,476	902,450
	908,476	**902,450**
Other revenue		
- interest received	174	378
- other revenue	1,549	2,116
	1,723	**2,494**
Total revenue	**910,199**	**904,944**

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

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

Interest and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

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

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

Rendering of services

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

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given. The core banking products, as at the end of the financial year included: term deposits, mortgage facilities and credit card facilities.

Margin

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

Commission

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

Note 2. Revenue (continued)

Rendering of services (continued)

Fee Income

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

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

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

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

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

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

	2019 $	2018 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2019 $	2018 $
Employee benefits expense		
- wages and salaries	402,521	330,339
- superannuation costs	37,136	30,310
- other costs	4,970	8,336
	444,627	**368,985**
Depreciation and amortisation		
Depreciation		
- buildings	15,670	-
- leasehold improvements	21,144	21,156
- furniture and fittings	17,415	3,132
- motor vehicles	3,973	351
	58,201	**24,639**
Amortisation		
- franchise fees	13,611	13,611
Total depreciation and amortisation	**71,812**	**38,250**
Finance costs		
- Interest paid	33,416	16,936
Bad and doubtful debts expenses	92	2,942
Loss on disposal of motor vehicle	4,710	-
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,140	5,000
	5,140	**5,000**

Operating expenses

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

Borrowing costs

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

Note 3. Expenses (continued)

Depreciation and amortisation

The depreciable amount of all fixed assets, including buildings, but excluding freehold land , is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	**Rate**	**Method**
Buildings	2.5%	Straight line
Improvements	10.0%	Straight line
Furniture and fittings	20.0%	Straight line
Motor vehicles	20.0%	Straight line
Franchise fees	20.0%	Straight line

Gains/losses upon disposal of non-current assets

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

Note 4. Income tax

	2019 $	**2018 $**
a. The components of tax expense comprise:		
Current tax expense	27,725	72,343
Deferred tax expense	26,842	70,206
Recoupment of prior year tax losses	(27,725)	(72,343)
	26,842	**70,206**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	26,842	70,206
Income tax attributable to the entity	**26,842**	**70,206**
The applicable weighted average effective tax rate is:	27.50%	27.50%
c. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Employee provisions	15,094	14,210
Unused tax losses	7,093	34,819
Net deferred tax asset	**22,187**	**49,029**

	2019 $	2018 $

Note 4. Income tax (continued)

d. Deferred income tax included in income tax expense comprises:

	2019 $	2018 $
Decrease / (increase) in deferred tax assets	**26,842**	**70,206**

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

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

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Note 5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	340,070	224,365
	340,070	**224,365**

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.

Note 6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	80,813	67,507
	80,813	**67,507**

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

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

Note 6. Trade and other receivables (continued)

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2019						
Trade receivables	80,813	80,813	-	-	-	-
Total	**80,813**	**80,813**	**-**	**-**	**-**	**-**
2018						
Trade receivables	67,507	67,507	-	-	-	-
Total	**67,507**	**67,507**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	-	16,419
	-	**16,419**

The effective interest rate on the bank deposit was 2.1% (2018). This deposit had a term of 6 months, maturing on 26 September 2018.

Note 8. Other assets

	2019 $	2018 $
Prepayments	5,963	5,806
	5,963	**5,806**

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

Note 9. Property, plant and equipment

	2019 $			2018 $		
	At cost	**Accumulated depreciation**	**Written down value**	**At cost**	**Accumulated depreciation**	**Written down value**
Land	304,000	-	304,000	304,000	-	304,000
Buildings	626,785	(15,670)	611,115	626,785	-	626,785
Improvements	211,515	(202,699)	8,816	211,515	(181,555)	29,960
Furniture and fittings	54,236	(54,236)	-	54,236	(36,821)	17,415
Motor vehicles	-	-	-	21,033	(351)	20,682
Total property, plant and equipment	**1,196,536**	**(272,605)**	**923,931**	**1,217,569**	**(218,727)**	**998,842**

Land and buildings

Freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

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

(a) Capital expenditure commitments

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

Note 9. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value $	Additions $	Disposals $	Depreciation $	Closing written down value $
Land	304,000	-	-	-	304,000
Buildings	626,785	-	-	(15,670)	611,115
Improvements	29,960	-	-	(21,144)	8,816
Furniture and fittings	17,415	-	-	(17,415)	-
Motor vehicles	20,682	-	(16,710)	(3,972)	-
Total property, plant and equipment	**998,842**	**-**	**(16,710)**	**(58,201)**	**923,931**

2018	Opening written down value $	Additions $	Disposals $	Depreciation $	Closing written down value $
Land	-	304,000	-	-	304,000
Buildings	-	626,785	-	-	626,785
Improvements	51,114	-	-	(21,154)	29,960
Furniture and fittings	17,790	2,758	-	(3,133)	17,415
Motor vehicles	-	21,033	-	(351)	20,682
Total property, plant and equipment	**68,904**	**954,576**	**-**	**(24,638)**	**998,842**

Note 10. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	68,056	(62,385)	5,671	68,056	(48,773)	19,283
Total intangible assets	**68,056**	**(62,385)**	**5,671**	**68,056**	**(48,773)**	**19,283**

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

Note 10. Intangible assets (continued)

Movements in carrying amounts

2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	19,283	-	(13,612)	5,671
Total intangible assets	**19,283**	**-**	**(13,612)**	**5,671**

2018	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	32,894	-	(13,611)	19,283
Total intangible assets	**32,894**	**-**	**(13,611)**	**19,283**

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

	2019 $	2018 $

Note 12. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	1,163	3,044
Other creditors and accruals	33,287	35,667
	34,450	**38,711**

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

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

Note 13. Borrowings

	2019 $	2018 $
Secured liabilities		
Bank loan	51,060	51,060
	51,060	**51,060**
Non-current		
Secured liabilities		
Bank loan	518,904	536,247
	518,904	**536,247**
total borrowings	**569,964**	**587,307**

Loans

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

(a) Bank Loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 5.8%. This loan has been created to fund the purchase of the branch building and is secured by a mortgage to Bendigo and Adelaide Bank Limited.

Note 14. Provisions

	2019 $	2018 $
Current		
Employee benefits	54,889	51,663
Total provisions	**54,889**	**51,663**

Short-term employee benefits

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

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

Note 14. Provisions (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

	2019 $	2018 $
Note 15. Share capital		
1,100,010 Ordinary shares fully paid	1,100,010	1,100,010
Less: Equity raising costs	(9,732)	(9,732)
	1,090,278	**1,090,278**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

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.

(b) Capital management

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

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

Note 15. Share capital (continued)

(b) Capital management (continued)

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Note 16. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(386,708)	(516,797)
Profit for the year after income tax	70,763	185,090
Dividends paid	(55,001)	(55,001)
Balance at the end of the reporting period	**(370,946)**	**(386,708)**

Note 17. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Final unfranked ordinary dividend of 5 cents per share (2018: 5 cents unfranked).	55,001	55,001

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

Note 18. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	6.43	16.83
Earnings used in calculating basic earnings per share	70,763	185,090
Weighted average number of ordinary shares used in calculating basic earnings per share	1,100,010	1,100,010

Note 18. Earnings per share (continued)

Basic earnings per share

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

Note 19. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	340,070	224,365
As per the Statement of Cash Flow	**340,070**	**224,365**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	70,763	185,090
Non-cash flows in profit		
- Depreciation and amortisation	71,812	38,250
- Net loss on disposal of property, plant & equipment	4,710	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(13,306)	4,482
- (increase) / decrease in prepayments and other assets	(157)	(1,424)
- (Increase) / decrease in deferred tax asset	26,842	70,206
- Increase / (decrease) in trade and other payables	(4,260)	(2,291)
- Increase / (decrease) in provisions	3,226	7,760
Net cash flows from operating activities	**159,630**	**302,073**

(c) Credit standby arrangement and loan facilities

The company has a loan facility amounting to $569,964 (2018: $587,307). Variable interest rates apply to this loan facility.

Note 20. Key management personnel and related party disclosures

(a) Key management personnel

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

The totals of remuneration paid to key management personnel of the company during the year are as follows:

Note 20. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

	2019 $	2018 $
Short-term employee benefits	111,512	96,633
Post-employment benefits	2,790	4,211
Other long-term benefits	16,054	14,049
Total key management personnel compensation	**130,356**	**114,893**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

(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.

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

Name of related party	Description of goods/services	Value $
Balpar Pty Limited - Mark Jarvis	Carrington Hotel services	6,577
Jane Canfield	Marketing services	2,372

Katoomba and Upper Blue Mountains Community Enterprise Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

Note 20. Key management personnel and related party disclosures (continued)

(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:

	2019	2018
Robert Nicholas Stock	9,001	9,001
Mark John Jarvis	99,201	74,201
Peter Newton Carroll	10,001	10,001
Jennifer Joy Ross	501	501
Anne Catherine Elliott	4,001	4,001
Kerry Lee Brown	-	-
Christine Dorinda Thompson	1,001	1,001
Jane Cherrill Canfield	501	501
Charles Brooke Broughton	3,501	3,501
Arnold Ferdinand Percy	3,001	3,001
	130,709	**105,709**

There has been some movement in key management personnel shareholdings. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

Note 21. 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 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Katoomba, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

Note 24. Company details

The registered office and principal place of business is 117 Katoomba Street, Katoomba, NSW, 2780.

Note 25. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments, as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	340,070	224,365
Trade and other receivables	6	80,813	67,507
Financial assets	7	-	16,419
Total financial assets		**420,883**	**308,291**
Financial liabilities			
Trade and other payables	12	34,450	38,711
Borrowings	13	569,964	587,307
Total financial liabilities		**604,414**	**626,018**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

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

Credit risk exposures

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

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 25. Financial instrument risk (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

None of the assets of the company are past due (2018: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.05%	340,070	340,070	-	-
Trade and other receivables		80,813	80,813	-	-
Total anticipated inflows		**420,883**	**420,883**	**-**	**-**
Financial liabilities					
Trade and other payables		34,450	34,450	-	-
Borrowings	5.8%	569,964	51,060	518,904	-
Total expected outflows		**604,414**	**85,510**	**518,904**	**-**
Net inflow / (outflow) on financial instruments		**(183,531)**	**335,373**	**(518,904)**	**-**

Note 25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		224,365	224,365	-	-
Trade and other receivables		67,507	67,507	-	-
Financial assets	2.1%	16,419	16,419	-	-
Total anticipated inflows		**308,291**	**308,291**	**-**	**-**
Financial liabilities					
Trade and other payables		38,711	38,711	-	-
Borrowings	5.8%	587,307	51,060	536,247	-
Total expected outflows		**626,018**	**89,771**	**536,247**	**-**
Net inflow / (outflow) on financial instruments		**(317,727)**	**218,520**	**(536,247)**	**-**

(c) Market risk

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

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

Interest rate risk

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

The financial instruments that primarily expose the company to interest rate risk are borrowings and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. 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.

Note 25. Financial instrument risk (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

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

	2019		2018	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	2,466	2,466	1,746	1,746
+/- 1% in interest rates (interest expense)	(4,132)	(4,132)	(5,873)	(5,873)
	(1,667)	**(1,667)**	**(4,127)**	**(4,127)**

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

Directors' declaration

In accordance with a resolution of the Directors of 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 7 to 38 are in accordance with the Corporations Act 2001 and:
   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2019 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Robert Stock
Director

Signed at Katoomba on 19 September 2019.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Katoomba & Upper Blue Mountains Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(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 company's financial position as at 30 June 2019 and of its performance for the year then ended; and

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

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

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

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

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

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

rsd Audit

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P Delahunty
Partner
Bendigo
Dated: 19 September 2019

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

Blackheath Agency
Blackheath Newsagency
245 Great Western Highway, Blackheath NSW 2785
Phone: (02) 4787 8449

Franchisee: Katoomba & Upper Blue Mountains
Community Enterprise Limited
117 Katoomba Street, Katoomba NSW 2780
Phone: (02) 4782 1144
ABN: 55 134 947 201

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