

Annual Report 2020

Katoomba &
Upper Blue Mountains
Community Enterprise Limited

Community Bank
Katoomba & Upper Blue Mountains and Blackheath
ABN 55 134 947 201

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Chairman's report

For year ending 30 June 2020

It is excellent to be able to report another successful year for our Bank.

A landmark for the year has been our making the final repayment on our loan for the freehold of our premises in Katoomba Street. I believe our shareholders should feel doubly secure in the knowledge that the company now has a solid tangible asset as well as a healthy level of profit.

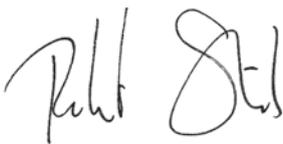
We have of course had the difficulties associated with the COVID-19 epidemic which has necessitated some operational changes. As banking is seen as an essential service, the bank remained open during the months of April and May when many other businesses in Katoomba Street were not. Our terrific staff kept operations going smoothly and effectively.

Our bank agency in Blackheath continues to grow. Our primary intention with this business was to provide improved banking services to Blackheath and it is pleasing to see that the agency is contributing to our cash flow overall. Plans to open a similar agency in the lower mountains are now well advanced.

I must again praise our Manager, Brigitte Mackenzie and our staff for all their great work, particularly in overcoming the difficulties of the current medical emergency.

The Board of the company has continued to meet monthly via Zoom which is adequate in the short term, but hopefully won't be the necessary method in months to come. I believe meeting in person is more effective.

We have been sorry to farewell a long-standing Director from the Board. Anne Elliott has volunteered twelve years to the cause of getting our bank up and running and able to make a positive impact in our community. It goes without saying that she will be missed and we wish her all the best.



Robert Stock
Chairman

Manager's report

For year ending 30 June 2020

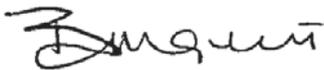
Welcome to the Annual Report for Community Bank Katoomba & Upper Mountains and to a new financial year.

We find ourselves in a new world this year full of natural disasters and a global pandemic still underway, impacting on the financial, mental and physical health of people in every country.

We believe that locally we have weathered the storm better than most and have actually managed to continue to grow our business, maintain customer satisfaction and continue in our quest to expand further in the Blue Mountains region with a second agency underway in Blaxland, all while adhering to social distancing guidelines.

Our customers have needed more assistance this year, and our staff have had various challenges too, but our community support continues and our business operations have evolved as required to enable our continued success.

I would like to thank our Board of volunteer Directors for their efforts on keeping our sponsorship program running remotely without the ability to network or attend functions and also a big thank you to our wonderful branch staff for meeting and beating these unprecedented challenges and allowing us to continue to open our doors and serve the Blue Mountains community.



Brigitte Mackenzie
Branch Manager

2019/20 Sponsorships

During the year ended 30 June 2020 financial support, totalling \$80,050, was provided to the following organisations and community projects. Our support contributed to projects and activities with a total cost of \$508,720.



Upper Blue Mountains Bushwalking Inc for their website migration

Katoomba Red Tent for their Fill your Cup Mediation Circle for Women/Mothers

Mt Wilson Study Centre Inc for their Artist in Residence scholarship

Springwood Neighbourhood Centre for the Blue Fringe Arts Festival - 2019

Springwood Community Gardens for their tool shed project

Greystanes Disability Services for their Greystanes Appeal - 2019

Mountain Outreach Community Service for their computer hardware/software upgrade

Walk 'n' Talk for Life for their Shannon Nevin Wellbeing - Mental Health project

Yaama Ngumma Baaksa for their Yaama Ngumma Baaksa Corroboree Festival

Wentworth Falls Football Club for their equipment & media presentation

Earth Recovery Australia for 2019 Food Recovery Week

The Big Fix for their Blackheath News August 19 edition

Kinnari Community Services for The Hive - Cooee garden project - greenhouse irrigation

Blue Mountains Artfest for their 2019 Show

Katoomba High School for their participation in the 2019 School Spectacular

Blue Mountains Aboriginal Cultural Resource Centre for their Annual Elders Lunch

Blue Mountains City Council for their Celebration of Carers Young & Old event

Blackheath Rhododendron Festival for their 2019 Festival

Society of Mountain Artists for their Annual Spring Art Exhibition

Blue Mountains Creative Arts Network for their Encountering the Wild 2019 Multi Arts event

Blackheath Cricket Club for their Junior Coaching Clinics

Blue Mountains Refugee Support Group for Christmas presents for refugees

Blue Mountains World Heritage Institute for their educational seminars to reduce household carbon footprint

Friends of Blackheath Hall for new projector screens

Lyttleton Gardens for their Farm it Forward project

Blue Mountains Christian College for their student achievement prize

Blue Mountains Grammar School for their student achievement prize

2019/20 Sponsorships (continued)

Katoomba High School for their student achievement prize

Leura Golf Club - ongoing sponsorship

Blackheath Area Neighbourhood Centre for their Blue Shorts Film Festival 2020

Blue Mountains Pipe Band – ongoing support

Lifespan Disability Therapy Services for their Over 55's social interaction group

Katoomba Men's Shed to upgrade their thickness planer machine

Belong Blue Mountains for My World/Life Matters attendance at Mardi Gras

Lady Luck Festival for street infrastructure

Varuna The National Writers' House for their 2020 Varuna Young Writers Programme

Springwood & District Basketball Association for their Springwood Scorchers 2020 representative teams

Academy Singers for their Harmony Day Community Concert

Katoomba North Public School P&C Association for their Breakfast Club

Blue Mountains Refugee Support Group for the National Rural Australians for Refugees 2020 Conference

Blue Mountains Refugee Support Group for their A Taste of Tibet family friendly event

bentART Inc. for their bentART Exhibition 2020

Blume Illustrated for Blume Illustrated Issue 4

Katoomba Junior Rugby League for the purchase of jerseys

Blue Mountains Food Co-operative for their Edible Garden Trail 2020

Blue Mountains Hospital Auxiliary for the purchase of an ECG for the rehabilitation area

Rotary Club of Upper Blue Mountains Sunrise for their Masked & Marvellous Charity Ball

Wintermagic Festival Inc for Winter Magic Festival 2020

Blue Mountains Bridge Club for their Blue Mountains Annual Congress 2020

Rotary Club of Central Blue Mountains to assist with their Food Aid - Earth Recovery project

Zonta Club of Blue Mountains for their Zonta Breast Care Cushions project

Mark Hughes Foundation for Brain Cancer - Casual for a Day

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than \$45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

The Directors present their report of the company for the financial year ended 30 June 2020.

Directors

The following persons were Directors of Katoomba & 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 - Carrington Hotel. 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 (Kurrungai). 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. Resigned 24 June 2020.
Jane Cherrill Canfield	Director. Certificate in Graphic Design (Randwick TAFE). Professional artist and 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. Former 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. Convenor of the Friends of Blackheath Pool and Memorial Park. Member of the Blackheath Alliance. Recipient of the Blackheath Community Services Award. Board member of the Blackheath Area Neighbourhood Centre. Resident of Blackheath.
Arnold Ferdinand Percy	Director. Retired early 2020 after operating a retail and giftware business in Katoomba. Former career in professional photography. Resident of Wentworth Falls.
Kerry Lee Brown	Director. Current councillor on the Blue Mountains City Council. Horticulturist and landscaper. Former journalist working for 16 years in Manchester, UK and San Francisco, USA. Consulted to the WWF (World Wide Fund for Nature) for 10 years. 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' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Robert Nicholas Stock	11	11
Mark John Jarvis	11	9
Peter Newton Carroll	11	9
Anne Catherine Elliott	11	11
Jane Cherrill Canfield	11	9
Charles Brooke Broughton	11	11
Jennifer Joy Ross	11	7
Arnold Ferdinand Percy	11	6
Kerry Lee Brown	11	9

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 & 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 \$290,728 (2019 profit: \$70,763), which is a 310.8% increase as compared with the previous year.

This exceptional result was mainly due to the Upper Mountains becoming a sought after alternative from Sydney, hence the 21% increase in revenue. Also, one less full time employee has helped reduce overall expenses by 15%.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period. AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. This is not relevant for Katoomba. There are no leases.

Directors' report (continued)

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions. The entity continues to comply with government directions re social distancing and the implementation of measures to ensure the safety of the staff and members of the public during the COVID 19 pandemic. To date, there has been no detrimental effect on the entity's financial position or performance. This will be continued to be monitored in the coming months.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

No dividend has been declared or paid for the year ended 30 June 2020. (2019: 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.

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 incurred 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.

Directors' report (continued)

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Katoomba on 20 August 2020.



Charles Brooke Broughton
Director

Auditor's independence declaration



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

In accordance with Section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

A handwritten signature in black ink, appearing to read 'P. Delahunty', written over a light grey circular background.

Philip Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 26 August 2020

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
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 2020

	Notes	2020 \$	2019 \$
Revenue	2	1,099,404	910,199
Expenses			
Employee benefits expense	3	(381,896)	(444,627)
Depreciation and amortisation	3	(37,780)	(71,813)
Finance costs	3	(15,555)	(33,416)
Bad and doubtful debts expense	3	(604)	(92)
Insurance		(16,034)	(14,032)
Professional fees - accounting, audit & share registry		(8,064)	(9,130)
Printing & stationery		(9,840)	(12,435)
Freight / cartage / delivery		(10,427)	(7,391)
IT expense including equipment lease		(32,939)	(33,543)
Cleaning & rubbish removal		(4,062)	(8,285)
Rates - council & water		(4,450)	(3,274)
Electricity & gas		(2,870)	(3,365)
Agent commission		(21,752)	(6,458)
Marketing		(8,258)	(9,014)
Security monitoring		(861)	(4,426)
Telephone		(2,800)	(3,677)
Loss on disposal of motor vehicle		-	(4,710)
Other expenses		(50,760)	(50,006)
		(608,952)	(719,694)
Operating profit before charitable donations and sponsorship		490,452	190,505
Charitable donations and sponsorship		(105,051)	(92,900)
Profit before income tax		385,401	97,605
Income tax expense	4	(94,673)	(26,842)
Profit for the year after income tax		290,728	70,763
Other comprehensive income		-	-
Total comprehensive income for the year		290,728	70,763
Profit attributable to members of the company		290,728	70,763
Total comprehensive income attributable to members of the company		290,728	70,763
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	26.43	6.43

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5	80,007	340,070
Trade and other receivables	6	103,698	80,813
Other assets	7	5,517	5,963
Total current assets		189,222	426,846
Non-current assets			
Property, plant and equipment	8	899,446	923,931
Intangible assets	9	57,717	5,671
Deferred tax assets	4	17,762	22,187
Total non-current assets		974,925	951,789
Total assets		1,164,147	1,378,635
Liabilities			
Current liabilities			
Trade and other payables	11	36,750	34,450
Current tax liability	4	52,748	-
Borrowings	12	-	51,060
Provisions	13	64,589	54,889
Total current liabilities		154,087	140,399
Non-current liabilities			
Borrowings	12	-	518,904
Total non-current liabilities		-	518,904
Total liabilities		154,087	659,303
Net assets		1,010,060	719,332
Equity			
Issued capital	14	1,090,278	1,090,278
Accumulated losses	15	(80,218)	(370,946)
Total equity		1,010,060	719,332

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2020

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019 (reported)		1,090,278	(370,946)	719,332
Comprehensive income for the year				
Profit for the year		-	290,728	290,728
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2020		1,090,278	(80,218)	1,010,060
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	16	-	(55,001)	(55,001)
Balance at 30 June 2019		1,090,278	(370,946)	719,332

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,076,518	896,719
Payments to suppliers and employees		(648,222)	(703,846)
Interest paid		(15,555)	(33,416)
Interest received		-	173
Income tax paid		(37,500)	-
Net cash flows provided by operating activities	18b	375,241	159,630
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	12,000
Proceeds from sale of investments		-	16,419
Purchase of intangible assets		(65,340)	-
Net cash flows from/(used in) investing activities		(65,340)	28,419
Cash flows from financing activities			
Repayment of borrowings		(569,964)	(17,343)
Dividends paid		-	(55,001)
Net cash flows used in financing activities		(569,964)	(72,344)
Net increase/(decrease) in cash held		(260,063)	115,705
Cash and cash equivalents at beginning of financial year		340,070	224,365
Cash and cash equivalents at end of financial year	18a	80,007	340,070

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Katoomba & Upper Blue Mountains Community Enterprise Limited (the Company) as an individual entity.

Katoomba & Upper Blue Mountains Community Enterprise Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 20 August 2020.

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. The amounts presented in the financial statements have been rounded to the nearest dollar.

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 operates 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 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;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

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 involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

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

Income tax

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. 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 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases

AASB 16 Leases became mandatorily effective on 1 January 2019. AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

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

(g) Change in accounting policies

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

Notes to the financial statements (continued)

Note 2. Revenue

	2020 \$	2019 \$
Revenue		
- service commissions	1,057,538	908,476
	1,057,538	908,476
Other revenue		
- interest received	-	174
- cash boost	41,135	-
- other revenue	731	1,549
	41,866	1,723
Total revenue	1,099,404	910,199

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, dividend and other income

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

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.

Fee Income

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

Notes to the financial statements (continued)

Note 2. Revenue (continued)

Fee Income (continued)

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

However, if Bendigo and Adelaide 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.

Note 3. Expenses

	2020	2019
	\$	\$
Profit before income tax includes the following specific expenses		
Employee benefits expense		
- wages and salaries	339,712	402,521
- superannuation costs	31,157	37,136
- other costs	11,027	4,970
	381,896	444,627

Notes to the financial statements (continued)

Note 3. Expenses (continued)

	2020 \$	2019 \$
Profit before income tax includes the following specific expenses (continued)		
Depreciation and amortisation		
Depreciation		
- buildings	15,670	15,670
- leasehold improvements	8,816	21,144
- furniture and fittings	-	17,415
- motor vehicles	-	3,972
	24,486	58,201
Amortisation		
- franchise fees	13,294	13,612
Total depreciation and amortisation	37,780	71,813
Finance costs		
- Interest paid	15,555	33,416
Bad and doubtful debts expenses	604	92
Loss on disposal of motor vehicle	-	4,710
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,080	5,140
	5,080	5,140

Operating expenses

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

Borrowing costs

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

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, 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
Franchise fees	20.0%	Straight line

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

Notes to the financial statements (continued)

Note 3. Expenses (continued)

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

	2020 \$	2019 \$
a. The components of tax expense comprise:		
Current tax expense	97,341	27,725
Deferred tax expense	4,425	26,842
Recoupment of prior year tax losses	(7,093)	(27,725)
	94,673	26,842
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% (2019: 27.5%)	105,985	26,842
Income tax attributable to the entity	105,985	26,842
The applicable weighted average effective tax rate is:	24.56%	27.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax paid	(37,500)	-
Recoupment of prior year tax losses	(7,093)	-
Current tax	97,341	-
	52,748	-
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Employee provisions	17,762	15,094
Unused tax losses	-	7,093
Net deferred tax asset	17,762	22,187
Total carried forward tax losses not recognised as deferred tax assets:	-	-
e. Deferred income tax included in income tax expense comprises:		
Decrease in deferred tax assets	4,425	26,842

Notes to the financial statements (continued)

Note 4. Income tax (continued)

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

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. 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

	2020 \$	2019 \$
Cash at bank and on hand	80,007	340,070
	80,007	340,070

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

Current

Trade receivables	103,698	80,813
	103,698	80,813

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo and Adelaide Bank Limited monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

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 Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the financial statements (continued)

Note 6. Trade and other receivables (continued)

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

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2020						
Trade receivables	103,698	103,698	-	-	-	-
Total	103,698	103,698	-	-	-	-
2019						
Trade receivables	80,813	80,813	-	-	-	-
Total	80,813	80,813	-	-	-	-

Note 7. Other assets

	2020 \$	2019 \$
Prepayments	5,517	5,963
	5,517	5,963

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 8. Property, plant and equipment

	2020 \$			2019 \$		
	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	(31,339)	595,446	626,785	(15,670)	611,115
Improvements	211,515	(211,515)	-	211,515	(202,699)	8,816
Furniture and fittings	54,236	(54,236)	-	54,236	(54,236)	-
Total property, plant and equipment	1,196,536	(297,090)	899,446	1,196,536	(272,605)	923,931

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.

Notes to the financial statements (continued)

Note 8. Property, plant and equipment (continued)

Plant and equipment

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

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

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

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

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

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2020 (2019: None)

(b) Movements in carrying amounts of PP&E

	Land \$	Buildings \$	Leasehold Improvements \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
2020						
Opening carrying value	304,000	611,115	8,816	-	-	923,931
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	-	(15,670)	(8,816)	-	-	(24,486)
Closing carrying value	304,000	595,445	-	-	-	899,446
2019						
Opening carrying value	304,000	626,785	29,960	17,415	20,682	998,842
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(16,710)	(16,710)
Depreciation	-	(15,670)	(21,144)	(17,415)	(3,972)	(58,201)
Closing carrying value	304,000	611,115	8,816	-	-	923,931

Notes to the financial statements (continued)

Note 9. Intangible assets

	2020			2019		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	65,340	(7,623)	57,717	68,056	(62,385)	5,671
Total intangible assets	65,340	(7,623)	57,717	68,056	(62,385)	5,671

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

Movements in carrying amounts

	Opening written down value \$	Additions \$	Amortisation \$	Closing written down value \$
2020				
Franchise fees	5,671	65,340	(13,294)	57,717
Total intangible assets	5,671	65,340	(13,294)	57,717
2019				
Franchise fees	19,283	-	(13,612)	5,671
Total intangible assets	19,283	-	(13,612)	5,671

Note 10. Financial liabilities

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

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. 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.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

Notes to the financial statements (continued)

Note 11. Trade and other payables

	2020 \$	2019 \$
Current		
Unsecured liabilities:		
Trade creditors	412	1,163
Other creditors and accruals	36,338	33,287
	36,750	34,450

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.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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

Note 12. Borrowings

	2020 \$	2019 \$
Current		
Secured liabilities		
Bank loan	-	51,060
	-	51,060
Non-current		
Secured liabilities		
Bank loan	-	518,904
	-	518,904
Total borrowings	-	569,964

Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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.

Borrowings 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.

(a) Bank loans

The company had a mortgage loan which was paid out in May 2020.

Notes to the financial statements (continued)

Note 13. Provisions

	2020 \$	2019 \$
Current		
Employee benefits	64,589	54,889
Total provisions	64,589	54,889

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Note 14. Share capital

	2020 \$	2019 \$
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

Notes to the financial statements (continued)

Note 14. Share capital (continued)

(a) Movements in share capital (continued)

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.

(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 15. Accumulated losses

	2020 \$	2019 \$
Balance at the beginning of the reporting period	(370,946)	(386,708)
Profit for the year after income tax	290,728	70,763
Dividends paid	-	(55,001)
Balance at the end of the reporting period	(80,218)	(370,946)

Note 16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividend was paid or provided for during the financial year (2019: 5 cents unfranked).	-	55,001
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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.

Notes to the financial statements (continued)

Note 17. Earnings per share

	2020 \$	2019 \$
Basic earnings per share (cents)	26.43	6.43
Earnings used in calculating basic earnings per share	290,728	70,763
Weighted average number of ordinary shares used in calculating basic earnings per share	1,100,010	1,100,010

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 18. Statement of cash flows

	2020 \$	2019 \$
(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)	80,007	340,070
As per the Statement of Cash Flow	80,007	340,070
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	290,728	70,763
Non-cash flows in profit		
- Depreciation and amortisation	37,780	71,813
- Net loss on disposal of property, plant & equipment	-	4,710
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(22,886)	(13,306)
- (increase) / decrease in prepayments and other assets	446	(157)
- (Increase) / decrease in deferred tax asset	4,425	26,842
- Increase / (decrease) in trade and other payables	2,300	(4,260)
- Increase / (decrease) in current tax liability	52,748	-
- Increase / (decrease) in provisions	9,700	3,226
Net cash flows from operating activities	375,241	159,631

Notes to the financial statements (continued)

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

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

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

	2020 \$	2019 \$
Short-term employee benefits	115,655	111,512
Post-employment benefits	3,646	2,790
Other long-term benefits	18,152	16,054
Total key management personnel compensation	137,453	130,356

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 provided	Value \$
Balpar Pty Limited - Mark Jarvis	Carrington Hotel services	7,924
Jane Canfield	Marketing services	5,090

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

Notes to the financial statements (continued)

Note 19. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2020	2019
Robert Nicholas Stock	9,001	9,001
Mark John Jarvis	99,201	99,201
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
Jane Cherrill Canfield	501	501
Charles Brooke Broughton	3,501	3,501
Arnold Ferdinand Percy	3,001	3,001
	129,708	130,709

There has been 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 with key management personnel or related parties other than those described above.

Note 20. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2020 \$	2019 \$
Opening Balance	-	-
Contributions	28,947	-
Grants Paid	-	-
Interest	-	-
GST	(2,632)	-
Management fees	(1,315)	-
Balance available for distribution in future periods	25,000	-

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.

Notes to the financial statements (continued)

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 96% of the revenue (2019: 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	2020 \$	2019 \$
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	80,007	340,070
- Trade and other receivables	6	103,698	80,813
Total financial assets		183,705	420,883
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	11	36,750	34,450
- Current tax liability	4	52,748	-
- Borrowings	12	-	569,964
Total financial liabilities		89,498	604,414

(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.

Notes to the financial statements (continued)

Note 25. Financial instrument risk (continued)

(a) Credit risk (continued)

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.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

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 2020	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
- Cash and cash equivalents	0.05%	80,007	80,007	-	-
- Trade and other receivables		103,698	103,698	-	-
Total anticipated inflows		183,705	183,705	-	-
Financial liabilities					
- Trade and other payables		36,750	36,750	-	-
- Current tax liability		52,748	52,748		
Total expected outflows		89,498	89,498	-	-
Net inflow on financial instruments		94,207	94,207	-	-

Notes to the financial statements (continued)

Note 25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

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	5.80%	569,964	51,060	518,904	
Total expected outflows		604,414	85,510	518,904	-
Net inflow on financial instruments		(183,531)	335,373	(518,904)	-

(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 and other price risk. The company has no exposure to fluctuations in foreign currency.

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, cash and cash equivalents.

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

- A parallel shift of +/- 2% in market interest rates from year-end rates.

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

Directors' declaration

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

1. The financial statements and notes, as set out on pages 12 to 35 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 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 2020 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.



Charles Brooke Broughton
Director

Signed at Katoomba on 20 August 2020.

Independent audit report



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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 (the Company), which comprises the statement of financial position as at 30 June 2020, 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 other explanatory information, and the directors' declaration.

In our opinion the accompanying 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 2020 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

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

Director's Responsibility for the Financial Report

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

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

Richmond Sinnott & Delahunty, trading as RSD Audit
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Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.



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 2020, 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. In 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

A handwritten signature in black ink, appearing to read 'P. Delahunty', written over a faint circular stamp.

Philip Delahunty
Partner
Bendigo
Dated: 26 August 2020

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