

2021 Annual Report

**Katoomba & Upper Blue
Mountains Community
Enterprise Limited**

ABN 55 134 947 201

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Chairman's report

For year ending 30 June 2021

I am pleased to be able to report on another year of growth, though not at the same rate as we have become used to. It is possible that the continuing COVID-19 epidemic has changed the marketplace in ways we are not yet totally aware of. Currently much commercial activity has temporarily moved away from the main street to the online world. As an essential service our branch has remained open throughout this period.

To expand our footprint, we have recently taken on a new agency agreement with the Blaxland Pharmacy. Blaxland recently lost its last bank branch and there has been much interest in the local community for the return of banking services to the shopping centre.


Our Blackheath agency continues to grow well, and we look forward to a similar performance in Blaxland.

During the year another long-term Board member departed for pastures new. Arnold Percy had been with us since the Steering Committee was first formed in 2007. A hugely substantial contribution to the community. To cover this vacancy and that of Anne Elliott, which we reported previously, we have welcomed two new Board members who are well known in the Mountains community, Bernie Fehon and Tanya James. We look forward to their tenure being able to eclipse that of Arnold, but no pressure.

As I write this after the end of the financial year, I am aware that our long standing Manager, Brigitte Mackenzie will also be leaving us. As I expect all shareholders would know, she has been with us since before our doors opened in Katoomba Street. She will be greatly missed. The board thanks her greatly for her long-term commitment to this project.

Claude Adamati who has already been with us for almost a year will be taking on the role of Branch Manager. He and our staff have had to contend with the extra difficulties of operating under the restrictions of COVID-19 this year. They have kept operations flowing smoothly and I often hear compliments from customers on the cheerful atmosphere in the branch.

The Board joins me in looking forward to another successful year.



Robert Stock
Chairman

Manager's report

For year ending 30 June 2021

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

This report sees an end to the most challenging year we have yet had to face, with continual upheaval in the world of finance and the unprecedented outcomes of a heated real estate market in the middle of a pandemic. Never have we had so much competition, so much drive for change and so much expectation around pricing and timeframes. Yet we have still endured and succeeded, meeting targets and customer needs as we continue to serve and delivery to the Blue Mountains community.

This will be the last annual report I provide as Branch Manager of Community Bank Katoomba & Upper Blue Mountains as I move north to support family and join the sea-change migration. I look back on my tenure as Branch Manager with exceptional pride at our enormous success. As I work through my final few weeks it is with sadness that I leave my team, my amazing Board of Directors and the incredibly supportive shareholders and community that have made my job so enjoyable.

I am leaving the branch in the capable hands of my 2IC Claude Adamati who will take over the Branch Manager role and continue to supply the excellence in banking and customer service you have all become used to. I take my leave from you all with the sincerest gratitude for your trust and the support shown to me in my role over the last 12 years.

Thank you all



Brigitte Mackenzie
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

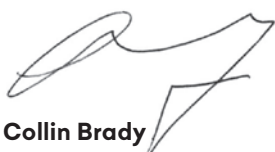
Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each another and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

2020/21 Sponsorships



During the year ended 30 June 2021 financial support, totalling \$100,810, was provided to the following organisations and community projects. Our support contributed to projects and activities with a total cost of more than \$1.9 million.

Blue Mountains Women's Shed Inc. for their Women in the Blue Mountains pop-up workshops

Mid Mountains Community Garden for their "Let it Rain" water tank project

Radio Blue Mountains for their equipment upgrade

Probus Club of the Upper Blue Mountains for a new laptop computer and projector

Wentworth Falls Public School P&C for an Aboriginal themed mural for NAIDOC Week

Mechanics Institute Lawson for performances in Mechanics Institute Lawson

Toolo Limited for programme funding of diverse activities

Belong Blue Mountains for 'Belong at Christmas Day' in Blaxland & Lawson

Blue Mountains Environmentally Sustainable Network for their 'An Audacious Idea' and 'Resilient Blue Mountains' projects

RSPCA Blue Mountains Cup Cake Fund Raising Day

Blue Mountains Rhododendron Society for their Blackheath Chamber Music Festival

Blackheath Neighbourhood Centre for their Blackheath Lebanese-Australian Friendship Garden

Australian Ecosystems Foundations for the Yengo Endangered Wildlife Reserve Parma Wallaby project

Katoomba High School for their student achievement prize

Blue Mountains Christian College for their student achievement prize

Leura Golf Club - ongoing sponsorship

Katoomba Rotary Club for a Rotary catering trailer/sausage sizzle wagon

Anglican Parish of Lawson for a defibrillator for the church auditorium

Katoomba Chamber of Commerce for the Treeline Lurline rejuvenation project

Zonta Club Blue Mountains for cutlery and crockery for women fleeing domestic violence

Leura Gardens Festival for the 2021 Festival

Mid Mountains Community Garden for a self-propelled cordless/battery mower

Blue Mountains Pipe Band - ongoing sponsorship

Wentworth Falls Football Club for its end of season medal presentation

Blue Mountains Dragon Boat Club for a boat & trailer

Katoomba Junior Rugby League Club to provide players with jerseys and shorts

Rotary Club of Blackheath for its ANZAC Day Golf Classic

Wallerawang Junior Soccer Club to provide a soccer ball for every club member

Sunshine Project for Community Inc. for the purchase of an iridium satellite phone

Rotary Club of Central Blue Mountains for the Lawson Public School Breakfast Club

Blackheath Horticultural Society for the Blackheath Flower & Craft Show 2021

Katoomba Chamber of Commerce for the Treeline Lurline event at Hinkler Park

Mountains Youth Services Team for the upgrade of the Katoomba Youth Centre

Upper Blue Mountains Camera Club for a laptop computer

Modern Art Projects Blue Mountains for the Mt Victoria Festival of the Moving Image

Blue Mountains Dog Training Club for the purchase of trophies

NSW Iris Society for the 2021 Iris Show

Blue Mountains Creative Artists Network for the 2021 Mountains Arts Expo

Springwood Neighbourhood Centre for the 2021 Blue Fringe Arts Festival

Directors' report

For the financial year ended 30 June 2021

The Directors present their report, together with the financial statements, on Katoomba and Upper Blue Mountains Community Enterprise Ltd for the financial year ended 30 June 2021.

Board of Directors

The following persons were Directors of Katoomba and Upper Blue Mountains Community Enterprise Ltd during the whole of the financial year up to the date of this report, unless otherwise stated:

Robert Nicholas Stock

Title: Chair
Qualifications: B.Science (Architecture), Dip Ed.
Experience & Expertise: Former councillor of the Blue Mountains City Council. Director of Kimbert Holdings P/L.

Charles Brooke Broughton

Title: Company Secretary
Qualifications: LL.B (Auckland)
Experience & Expertise: Retired professional association executive. President of the Leura Gardens Festival.

Mark John Jarvis

Title: Treasurer
Qualifications: B. Commerce (UNSW)
Experience & Expertise: Manager of the Carrington Hotel. President of the Katoomba Chamber of Commerce.

Peter Newton Carroll

Title: Non-Executive Director, Chair of Sponsorship committee
Qualifications: B. Rural Science, Master of Rural Science (UNE)
Experience & Expertise: Retired international banker. Vice president of Katoomba Chamber, Direct of CONNECT.

Jane Cherrill Canfield

Title: Non-Executive Director
Qualifications: Certificate in Graphic Design (Randwick TAFE)
Experience & Expertise: Professional artist and graphic designer. WIRES volunteer.

Jennifer Joy Ross

Title: Non-Executive Director
Qualifications: Dip.Teaching (Mitchell College). Teacher for 18 years
Experience & Expertise: Convenor of the Friends of Blackheath Pool. Board member of Neighbourhood Centre.

Arnold Ferdinand Percy

Title: Non-Executive Director. Resigned 26 May 2021
Qualifications: Retired Katoomba Shopkeeper
Experience & Expertise: Former career in professional photography.

Directors' report (continued)

Board of Directors (continued)

Kerry Lee Brown

Title:	Non-Executive Director
Qualifications:	Horticulturist and Landscaper
Experience & Expertise:	Current Councillor on Blue Mountains City Council. Former journalist. Consulted to WWF.

Tanya Kathryn James

Title:	Non-Executive Director. Appointed 18 March 2021
Qualifications:	Masters in Business Leadership & Communication Management
Experience & Expertise:	Principal consultant at Positive Change & Developpt, partners with the McKinsey Academy.

Bernard Philip Fehon

Title:	Non-Executive Director. Appointed 18 March 2021
Qualifications:	BE (Mech), M.Sc. (I.D.), DFP, GAICD
Experience & Expertise:	Founder - Vinnies CEO Sleepout. Former CEO of Blue Mtns Economic Enterprise.

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	12	12
Charles Brooke Broughton	12	12
Mark John Jarvis	12	9
Peter Newton Carroll	12	12
Jane Cherrill Canfield	12	11
Jennifer Joy Ross	12	11
Arnold Ferdinand Percy	10	7
Kerry Lee Brown	12	10
Tanya Kathryn James	4	1
Bernard Philip Fehon	4	3

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

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.

Charles Brooke Broughton

Qualifications:	LL.B (Auckland)
Experience & Expertise:	Retired professional association executive. President of the Leura Gardens Festival.

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.

Directors' report (continued)

Operating Results

The profit of the company for the financial year after provision for income tax was:

	30 June 2021 (\$)	30 June 2020 (\$)	Movement
Profit After Tax	274,362	290,728	-6%

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Directors' Interests

Director	Fully paid ordinary shares		
	Balance at 1 July 2020	Changes during the year	Balance at 30 June 2021
Robert Nicholas Stock	9,001	-	9,001
Charles Brooke Broughton	3,501	-	3,501
Mark John Jarvis	99,201	2,000	101,201
Peter Newton Carroll	10,001	-	10,001
Jane Cherrill Canfield	501	-	501
Jennifer Joy Ross	501	-	501
Arnold Ferdinand Percy	3,001	-	3,001
Kerry Lee Brown	-	-	-
Tanya Kathryn James	-	-	-
Bernard Philip Fehon	-	501	501

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount (\$)
Final fully franked dividend	7.00	77,001
Total Amount	7.00	77,001

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

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Directors' report (continued)

Events Since the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year that significantly impact or may significantly impact 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.

Indemnification & Insurance of Directors & Officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (RSD Audit) for audit and non-audit services provided during the year are set out in Note 24 to the accounts.

The Board of Directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Katoomba, NSW.



Charles Brooke Broughton
Director

Dated this 26th day of August, 2021

Auditor's independence declaration



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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

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Katoomba & Upper Blue Mountains Community Enterprise Limited. As the lead audit partner for the audit of the financial report for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, 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', with a stylized flourish at the end.

Philip Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 August 2021

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 2021

	Notes	2021 \$	2020 \$
Revenue			
Revenue from contracts with customers	7	1,061,092	1,032,538
Other revenue	8	25,340	66,866
		1,086,432	1,099,404
Expenses			
Employee benefits expense	9	(408,400)	(381,896)
Depreciation and amortisation	9	(28,737)	(37,780)
Finance costs	9	-	(15,555)
Bad and doubtful debts expense		(618)	(604)
Insurance		(17,125)	(16,034)
Professional fees - accounting, audit and share registry		(9,569)	(8,064)
Printing and stationery		(12,602)	(9,840)
Freight / cartage / delivery		(8,914)	(10,427)
IT expenses including equipment lease		(32,855)	(32,939)
ATM expenses including equipment lease		(7,348)	(7,408)
Credit checks / search fees		(2,849)	(1,376)
Cleaning and rubbish removal		(1,996)	(4,062)
Rates - council and water		(4,490)	(4,450)
Electricity and gas		(2,689)	(2,870)
Agents commission		(32,298)	(21,752)
Marketing		(9,417)	(8,258)
Staff training		(5,600)	(5,500)
Telephone		(3,012)	(2,800)
Other expenses		(32,853)	(37,337)
		(621,372)	(608,952)
Operating profit before charitable donations and sponsorship		465,060	490,452
Charitable donations and sponsorship		(100,810)	(105,051)
Profit before income tax		364,250	385,401
Income tax expense	10	(89,888)	(94,673)
Profit for the year after income tax		274,362	290,728
Other comprehensive income		-	-
Total comprehensive income for the year		274,362	290,728
Profit attributable to the ordinary shareholders of the company		274,362	290,728
Total comprehensive income attributable to ordinary shareholders of the company		274,362	290,728
Earnings per share			
- basic and diluted earnings per share	26	24.94	26.43

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	11	307,137	80,007
Trade and other receivables	12	76,198	103,698
Other assets	13	5,996	5,517
Total current assets		389,331	189,222
Non-current assets			
Property, plant and equipment	14	883,777	899,446
Intangible assets	15	44,649	57,717
Deferred tax assets	16	15,267	17,762
Total non-current assets		943,693	974,925
Total assets		1,333,024	1,164,147
Liabilities			
Current liabilities			
Trade and other payables	17	52,143	36,750
Current tax liability	16	12,393	52,748
Employee benefits	18	61,067	64,589
Total current liabilities		125,603	154,087
Total liabilities		125,603	154,087
Net assets		1,207,421	1,010,060
Equity			
Issued capital	19	1,090,278	1,090,278
Retained earnings/(Accumulated losses)	20	117,143	(80,218)
Total equity		1,207,421	1,010,060

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		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	25	-	-	-
Balance at 30 June 2020		1,090,278	(80,218)	1,010,060
Balance at 1 July 2020		1,090,278	(80,218)	1,010,060
Comprehensive income for the year				
Profit for the year		-	274,362	274,362
Transactions with owners in their capacity as owners				
Dividends paid or provided	25	-	(77,001)	(77,001)
Balance at 30 June 2021		1,090,278	117,143	1,207,421

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,113,932	1,076,518
Payments to suppliers and employees		(682,053)	(648,222)
Interest paid		-	(15,555)
Income tax paid		(127,748)	(37,500)
Net cash flows provided by operating activities	21	304,131	375,241
Cash flows from investing activities			
Purchase of intangible assets		-	(65,340)
Net cash flows used in investing activities		-	(65,340)
Cash flows from financing activities			
Repayment of borrowings		-	(569,964)
Dividends paid		(77,001)	-
Net cash flows used in financing activities		(77,001)	(569,964)
Net increase/(decrease) in cash held		227,130	(260,063)
Cash and cash equivalents at beginning of financial year		80,007	340,070
Cash and cash equivalents at end of financial year	21a	307,137	80,007

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1. Corporate Information

These financial statements and notes represent those of Katoomba and Upper Blue Mountains Community Enterprise Ltd (the Company) as an individual entity. Katoomba and Upper Blue Mountains Community Enterprise Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue by the Directors on 26th August 2021.

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 23.

Note 2. 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 (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

Note 3. Summary of Significant Accounting Policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Economic Dependency

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

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank 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 and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(a) Economic Dependency (continued)

- methods and procedures for the sale of products and provision of services
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

(b) Revenue From Contracts With Customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 Revenue from Contracts with Customers (AASB 15), revenue recognition for the company's revenue stream is as follows:

Franchise agreement profit share	Margin, commission and fee income	When the company satisfies its obligation to arrange the services to be provided to the customer by the supplier (Bendigo & Adelaide Bank)	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days of month end
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All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue Calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

$$\begin{array}{r} \text{Interest paid by customers on loans, less interest paid to customers on deposits} \\ \textit{plus} \\ \text{Deposit returns (i.e. interest return applied by BABL on deposits)} \\ \textit{minus} \\ \text{Any costs of funds (i.e. interest applied by BABL to fund a loan)} \end{array}$$

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee Income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank entities including fees for loan applications and account transactions.

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(b) Revenue From Contracts With Customers (continued)

Core Banking Products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to Change Financial Return

Under the franchise agreement, Bendigo and Adelaide Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo and Adelaide Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank may make.

(c) Other Revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue Recognition Policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary Financial Contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has made MFD Payments to the company.

The amount has been based on the volume of business attributed to the branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash Flow Boost

During the financial year, in response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(d) Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Other Long-term Employee Benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

(e) Tax

Current Income Tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(f) Cash & Cash Equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(g) Property, Plant & Equipment

Recognition & Measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Buildings	Straight line	40 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible Assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition & Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Franchise fee	Straight line	Franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

Sub-note (i) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Recognition & Initial Measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification & Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial Assets - Subsequent Measurement, Gains & Losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities - Classification, Subsequent Measurement, Gains & Losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Non-financial Assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets

(j) Issued Capital

Ordinary Shares

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

(k) Leases

As Lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the financial statements (continued)

Note 3. Summary of Significant Accounting Policies (continued)

(k) Leases (continued)

As Lessee (continued)

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases & Leases of Low-value Assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

As Lessor

The company has not been a party in an arrangement where it is a lessor.

(l) Standards Issued But Not Yet Effective

There are no new standards effective for annual reporting periods beginning after 1 January 2020 that are expected to have a significant impact on the company's financial statements.

(m) Comparative Figures

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

During preparation of the financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual outcomes and balances may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to these estimates are recognised prospectively.

Notes to the financial statements (continued)

Note 4. Significant Accounting Judgements, Estimates & Assumptions (continued)

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
Note 7 - Revenue	Whether revenue is recognised over time or at a point in time

(b) Assumptions & Estimation Uncertainty

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumption
Note 16 - Recognition of deferred tax assets	Availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised
Note 14 - Estimation of asset useful lives	Key assumptions on historical experience and the condition of the asset
Note 18 - Long service leave provision	Key assumptions on attrition rate of staff and expected pay increases though promotion and inflation

Note 5. Financial Risk Management

The company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not utilise any derivative instruments.

Risk management is carried out directly by the Board of Directors.

(a) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank.

(b) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. There is no exposure to the company in regard to commodity price risk.

Notes to the financial statements (continued)

Note 5. Financial Risk Management (continued)

(c) Market Risk (continued)

Cash Flow & Fair Values Interest Rate Risk

Interest-bearing assets are held with Bendigo and Adelaide Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of \$307,137 at 30 June 2021 (2020: \$80,007). The cash and cash equivalents are held with Bendigo & Adelaide Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 6. 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 distributions 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.

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period (after adding back Community Contributions); and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive income.

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

Note 7. Revenue From Contracts With Customers

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.

	2021 \$	2020 \$
Revenue		
- Revenue from contracts with customers	1,061,092	1,032,538
	1,061,092	1,032,538
<i>Disaggregation of Revenue From Contracts With Customers</i>		
- Margin income	828,658	822,116
- Fee income	64,575	57,506
- Commission income	167,859	152,916
	1,061,092	1,032,538

All revenue from contracts customers shown above was recognised at a point in time. There was no revenue from contracts with customers recognised over time during the financial year.

Notes to the financial statements (continued)

Note 8. Other Revenue

The company generates other sources of revenue as outlined below.

	2021 \$	2020 \$
Other Revenue		
- Market Development Fund	-	25,000
- Other income	659	731
- Cash flow boost	24,681	41,135
	25,340	66,866

Note 9. Expenses

Profit before income tax from continuing operations includes the following specific expenses:

(a) Employee Benefits Expense

	2021 \$	2020 \$
- Wages & salaries	374,745	339,712
- Superannuation costs	33,273	31,157
- Other expenses related to employees	382	11,027
	408,400	381,896

(b) Depreciation & Amortisation Expense

Depreciation of Non-current Assets

- buildings	15,669	15,670
- leasehold improvements	-	8,816
	15,669	24,486

Amortisation of Intangible Assets

- franchise fees	13,068	13,294
	13,068	13,294
Total depreciation & amortisation expense	28,737	37,780

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 3(g) and 3(h) for details).

(c) Finance Costs

Finance Costs

- Interest paid	-	15,555
	-	15,555

Finance costs are recognised as expenses when incurred using the effective interest rate.

(d) Community Investments & Sponsorship

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

Notes to the financial statements (continued)

Note 9. Expenses (continued)

(d) Community Investments & Sponsorship (continued)

	2021 \$	2020 \$
Community Investments & Sponsorship		
- Direct sponsorship and grant payments	100,810	80,051
- Contribution to the Community Enterprise Foundation™	-	25,000
	100,810	105,051

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at this point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

(e) Community Enterprise Foundation™ Contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of community investments and sponsorship expenditure included in profit or loss.

	2021 \$	2020 \$
<i>Disaggregation of CEF Funds</i>		
Opening balance	25,000	-
Contributions paid	-	28,947
Grants paid out	-	-
Interest received	-	-
GST	-	(2,632)
Management fees incurred	-	(1,315)
Balance available for distribution	25,000	25,000

Note 10. Income Tax Expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

(a) The Components of Tax Expense

	2021	2020
Current tax expense	87,393	97,341
Deferred tax expense	1,526	4,425
Recoupment of prior year tax losses	-	(7,093)
Underprovision of prior years	969	-
	89,888	94,673

Notes to the financial statements (continued)

Note 10. Income Tax Expense (continued)

(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:

	2021 \$	2020 \$
Prima facie tax on profit before income tax at 26% (2020: 27.5%)	94,705	105,985
Add Tax Effect Of:		
- Non-deductible expenses	21	-
- Cash Flow Boost - Aust Govt	(6,418)	(11,312)
- Underprovision of prior years	969	-
- Change in company tax rates	611	-
Income tax attributable to the entity	89,888	94,673
The applicable weighted average effective tax rate is:	24.68%	24.56%

Note 11. Cash & Cash Equivalents

	2021 \$	2020 \$
Cash at bank and on hand	307,137	80,007
	307,137	80,007

Cash and cash equivalents include cash on hand, deposits available on demand with banks.

Note 12. Trade & Other Receivables

	2021 \$	2020 \$
Current		
Trade receivables	76,198	103,698
	76,198	103,698

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 & Adelaide Bank monthly profit share distribution, which is deposited within a reasonable timeframe each month. There are no items that require the application of the lifetime expected credit loss model.

Note 13. Other Assets

	2021 \$	2020 \$
Prepayments	5,996	5,517
	5,996	5,517

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.

Notes to the financial statements (continued)

Note 14. Property, Plant & Equipment

(a) Carrying Amounts

	2021 \$			2020 \$		
	At cost / Valuation	Accumulated depreciation	Written down value	At cost / Valuation	Accumulated depreciation	Written down value
Land	304,000	-	304,000	304,000	-	304,000
Buildings	626,785	47,008	579,777	626,785	31,339	595,446
Leasehold improvements	211,515	211,515	-	211,515	211,515	-
Furniture & fittings	54,236	54,236	-	54,236	54,236	-
	1,196,536	312,759	883,777	1,196,536	297,090	899,446

(b) Movements in Carrying Amounts

	Buildings \$	Leasehold Imp. \$
2021		
Opening carrying value	899,446	-
Additions	-	-
Disposals	-	-
Depreciation expense	(15,669)	-
Closing carrying value	883,777	-
2020		
Opening carrying value	915,115	8,816
Additions	-	-
Disposals	-	-
Depreciation expense	(15,669)	(8,816)
Closing carrying value	899,446	-

(c) Capital Expenditure Commitments

The entity does not have any capital expenditure commitments as at 30 June 2021 (2020: None).

(d) Changes in Estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 15. Intangible Assets

(a) Carrying Amounts

	2021 \$			2020 \$		
	At cost / Valuation	Accumulated amortisation	Written down value	At cost / Valuation	Accumulated amortisation	Written down value
Franchise fee	65,340	20,691	44,649	65,340	7,623	57,717
	65,340	20,691	44,649	65,340	7,623	57,717

Notes to the financial statements (continued)

Note 15. Intangible Assets (continued)

(a) Movements in Carrying Amounts

	Franchise Fee \$
2021	
Opening carrying value	57,717
Additions	
Disposals	-
Amortisation expense	(13,068)
Closing carrying value	44,649
2020	
Opening carrying value	5,671
Additions	65,340
Disposals	-
Amortisation expense	(13,294)
Closing carrying value	57,717

Note 16. Tax Assets & Liabilities

(a) Current Tax

	2021 \$	2020 \$
Income tax payable	12,393	52,748

(b) Deferred Tax

Movement in the company's deferred tax balances for the year ended 30 June 2021:

	30 June 2020 \$	Recognised in P & L \$	Recognised in Equity \$	30 June 2021 \$
<i>Deferred Tax Assets</i>				
- Employee provisions	17,762	(2,495)	-	15,267
Total deferred tax assets	17,762	(2,495)	-	15,267
Net deferred tax assets	17,762	(2,495)	-	15,267

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019 \$	Recognised in P & L \$	Recognised in Equity \$	30 June 2020 \$
<i>Deferred Tax Assets</i>				
- Unused tax losses	7,093	(7,093)	-	-
- Employee provisions	15,094	2,668	-	17,762
Total deferred tax assets	22,187	(4,425)	-	17,762
Net deferred tax assets	22,187	(4,425)	-	17,762

Notes to the financial statements (continued)

Note 17. Trade & Other Payables

	2021 \$	2020 \$
Current		
Trade creditors	18,769	412
Other creditors and accruals	33,375	36,338
	52,143	36,750

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.

Note 18. Employee Benefits

	2021 \$	2020 \$
Current		
Provision for annual leave	21,289	16,227
Provision for long service leave	39,778	48,362
	61,067	64,589

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

Employee Attrition Rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 19. Issued Capital

(a) Issued Capital

	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,100,010	1,100,010	1,100,010	1,100,010
Less: equity raising costs		(9,732)		(9,732)
	1,100,010	1,090,278	1,100,010	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.

(b) Movements in share capital

	2021 \$	2020 \$
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.

Notes to the financial statements (continued)

Note 20. Retained Earnings

	Note	2021 \$	2020 \$
Balance at the beginning of the reporting period		(80,218)	(370,946)
Profit for the year after income tax		274,362	290,728
Dividends paid	25	(77,001)	-
Balance at the end of the reporting period		117,143	(80,218)

Note 21. Cash Flow Information

(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:

	2021 \$	2020 \$
Cash and cash equivalents (Note 11)	307,137	80,007
	-	-
As per the Statement of Cash Flows	307,137	80,007

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

	2021 \$	2020 \$
Profit for the year after income tax	274,362	290,728
<i>Non-cash flows in profit</i>		
- Depreciation	15,669	24,486
- Amortisation	13,068	13,294
<i>Changes in assets and liabilities</i>		
- (Increase) / Decrease in trade and other receivables	27,500	(22,886)
- (Increase) / Decrease in prepayments and other assets	(479)	446
- (Increase) / Decrease in deferred tax asset	2,495	4,425
- Increase / (Decrease) in trade and other payables	15,393	2,300
- Increase / (Decrease) in current tax liability	(40,355)	52,748
- Increase / (Decrease) in provisions	(3,522)	9,700
Net cash flows from operating activities	304,131	375,241

Note 22. Financial Instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 \$	2020 \$
Financial Assets			
Trade and other receivables	12	76,198	103,698
Cash and cash equivalents	11	307,137	80,007
		383,335	183,705
Financial Liabilities			
Trade and other payables	17	52,143	36,750
		52,143	36,750

Notes to the financial statements (continued)

Note 23. Related Parties

(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 only key management personnel identified for the company are the Board of Directors, the members of which are listed in the Directors' report.

(b) Key Management Personnel Compensation

No Director of the company receives remuneration for services as a company director or committee member. These positions are held on a voluntary basis.

	2021 \$	2020 \$
Short-term employee benefits	107,797	105,967
Post-employment benefits	11,240	9,688
Other long-term benefits	2,291	2,098
Total key management personnel compensation	121,328	117,753

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.

(c) 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.

(d) Transactions With Key Management Personnel & Related Parties

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 or Services Provided	Value \$
Mark Jarvis	Hotel services	5,013
Jane Canfield	Marketing services	5,179

(e) Key Management Personnel Shareholdings

The number of ordinary shares in the company held by each key management personnel during the financial year has been disclosed in the Directors' Report.

(f) Other Key Management Transactions

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

Notes to the financial statements (continued)

Note 24. Auditor's Remuneration

The appointed auditor of Katoomba and Upper Blue Mountains Community Enterprise Ltd for the year ended 30 June 2021 is RSD Audit. Amounts paid or due and payable to the auditor are outlined below.

	2021 \$	2020 \$
<i>Audit & Review Services</i>		
Audit and review of financial statements (RSD Audit)	5,250	5,080
Total auditor's remuneration	5,250	5,080

Note 25. Dividends

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	2021		2020	
	Number	\$	Number	\$
Fully franked dividend	1,100,010	77,001	1,100,010	-

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

Note 26. Earnings Per Share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	274,362	290,728
	Number	Number
Weighted average number of ordinary shares	1,100,010	1,100,010
	¢	¢
Basic and diluted earnings per share	24.94	26.43

Note 27. Events After the Reporting Period

There have been no significant events after the end of the financial year that would have a material impact on the financial statements or the company's state of affairs.

Note 28. Commitments & Contingencies

Details about any capital commitments are detailed in Note 14(c).

The company has no other commitments requiring disclosure.

There were no contingent liabilities or assets at the date of this report that would have an impact on the financial statements.

Note 29. Company Details

The registered office of the company is: 117 Katoomba Street Katoomba NSW 2780

The principal place of business is: 117 Katoomba Street Katoomba NSW 2780

Directors' declaration

In accordance with a resolution of the directors of Katoomba and Upper Blue Mountains Community Enterprise Ltd, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the company are 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 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) 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 declaration is made in accordance with a resolution of the board of directors.



Charles Brooke Broughton
Director

Dated this 26th day of August, 2021

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 2021, 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 2021 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.



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 2021 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 horizontal line.

Philip Delahunty
Partner
Bendigo
Dated: 27 August 2021

Community Bank · Katoomba & Upper Blue Mountains

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Blackheath Newsagency

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Blaxland

Blaxland Day n Night Pharmacy

138 Great Western Highway Blaxland NSW 2774

Phone: 02 4739 1611



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(BNPAR21027) (10/21)