annual report 2009

Upper Yarra Community
Enterprise Limited
ABN 54 090 252 627

Warburton and Yarra Junction District
Community Bank® branches of Bendigo Bank

Contents

Chairman's report

For year ending 30 June 2009

Having been elected Chairman on 1 July 2009 it is my privilege to present the 10th annual report of Upper Yarra Community Enterprise Limited.

Despite receiving some buffeting by the effects of the Global Financial Crises, our Company has emerged in a stable and slightly strengthened position.

Once again the Board has performed well in all their duties and created some new initiatives, whilst responding to challenges presented during the year, particularly the February bushfire threat.

These initiatives included the development of a new Company logo, and website www.upperyarra.net.au We adopted a new system for the ongoing archiving of Company records and as part of our commitment to the sustainability of the Company, invested a considerable portion of our future reserve fund. Provision for this fund is derived from the profit distribution formula and is a strategic long term plan for the Company. The fund will serve as a source of equity and capital for business sustainability and future expansion. Part of the investment is a parcel of Bendigo and Adelaide Bank Ltd ordinary shares. This purchase allows us to be part of a network that supports the parent Company of the **Community Bank®** model. The shares were purchased by our financial advisors via the ASX and are wholly owned by our Company.

Delisting from the Bendigo Stock Exchange and changing our share Registry Service provider is intended to reduce costs to both the Company and shareholders. The availability of a Low Volume Market was also a contributing factor. We are in the process of registering a Low Volume Market with ASIC.

On the Monday following Black Saturday we committed $20,000 to assist those immediately impacted by the fires. We also engaged in a community awareness campaign intended to assist our community members in making an informed decision about leaving early or staying to fight. We also provided our staff the opportunity to decide whether or not to attend the branch on high-risk days. This resulted in the Warburton **Community Bank®** Branch closing on several days.

Our market development fund, provided by Bendigo and Adelaide Bank Ltd based on our business footings, has enabled us to provide $62,000 to clubs and groups willing to promote our brand.

Our grants programme provided $124,000 to community groups for the support of their specific projects. Over all the Company has now returned over $1 million back to the community. On occasion we've been able to use our contribution to leverage additional funding from government to deliver even greater outcomes for our community.

In October the Board was pleased to announce a dividend of 3 cents per share fully franked. We look forward to being able to pay consistent dividends based on our profit distribution formula. Future growth will of course ultimately depend upon customer and product numbers.

Chairman's report continued

Our Managers and staff are fully trained and qualified to provide quality advice regarding the range of products and services available. I would like to thank all of the staff for their committed service at both our branches.

The resignation of two Directors was regrettably received during the year, former Chairman Rodney McKail and former Yarra Junction Steering Committee Secretary Barry Sharman. As with all of us, **Community Bank®** Company Directors have changeable events in their lives and we fully respect these may need to take priority. I'd like to sincerely thank Rodney for his significant contribution, particularly the development of a framework of governance that will serve the Company well into the future. Barry's input has also been considerable; with a change in his time availability we may see Barry back at some point in the future. The Board wish them both well in their future endeavours.

As an investment in our future we are in the final planning stages of an exciting refit for Warburton branch. The "Branch of the Future" style should be completed in time for our 10th year anniversary celebrations in February 2010. We will endeavour to minimise disruptions to banking services. Further information about this significant event will be forthcoming.

I'd like to express our appreciation of our partners Bendigo and Adelaide Bank Ltd, particularly our Regional Manager Alison Burr and her team. We also welcome Bendigo and Adelaide Bank Ltd's new CEO Mike Hirst. Mike recently launched a revised vision for the Company, "We aim to be Australia's leading customer-connected bank."

The restated values of: Teamwork, Integrity, Performance, Engagement, Leadership and Passion, are values that our local Company is happy to adopt and be guided by.

The commitment of our Directors throughout the year has been outstanding. There can only be one explanation for this. We all live in the Upper Yarra because it is our home and we love it. The **Community Bank®** concept can only make it a better place for us, our families and all who choose to live here. We may just be the luckiest people on earth.

Max Magee

Maxwell Magee
Chairman

Warburton Manager's report

For year ending 30 June 2009

It is my pleasure to report on the progress of Warburton **Community Bank®** Branch for the year ending June 2009.

The past financial year has seen the Warburton branch maintain steady performance – an excellent result given the maturity of the branch. With our tenth anniversary approaching in February 2010 we continue to maintain strong business results. This is a clear indication of the level of community support, trust and belief in what the branch is striving to achieve in the community.

As at 30 June 2009 our total book balance was $82 million - a solid and consistent result given the challenges of the Global Financial Crisis that affected all Australian financial institutions over the past 12 months. We have weathered the storm well with very little impact on our business, thanks largely to the continued support of our shareholders and customers.

We had 3,304 customers as at 30 June 2009. As expected, Yarra Junction residents are moving accounts to the Yarra Junction branch, but overall this has not resulted in a large reduction to our customer base. More Warburton locals are understanding the community benefits of banking with a **Community Bank®** branch and moving their accounts to our branch.

Products per customer is currently at 1.901. This is an important figure as it shows how much banking our customers are doing with us.

The importance of face-to-face banking remains strong with approximately 3,000 over-the-counter transactions process in the branch per month. Our ATM is processing around 7,000 transactions per month.

As for the next 12 months my staff and I are looking forward to new challenges of the ever-changing Australian landscape. There has been talk of high unemployment, possible rate rises, the rolling back of the first home owners grant and other factors that will all influence our business. With our partners Bendigo and Adelaide Bank Ltd, we are well placed in the market to face these challenges.

We need all current clients, shareholders and members of the community to continue to support the bank, not only with your business, but also by referring your family and friends to us.

On behalf of the branch staff and myself, I would like to thank all who have supported your branch. Simply by banking with us you ensure we continue to channel profits back into our local community.

Darren Pennington
Branch Manager

Yarra Junction Manager's report

For year ending 30 June 2009

Yarra Junction District **Community Bank®** Branch has now completed its first full year of trading. Support for the branch continues to be strong. We started the year with business totaling $11.7 million and 634 accounts held. We finished the year with business totaling $24.5 million and over 1,500 accounts held. Our growth has been pleasing however we still have some way to go before we will be in a profitable position.

As our customer numbers increase so too do our transaction levels. We are completing almost 3,000 transactions over the counter each month. We are still opening in excess of 50 new accounts each month. Our ATM continues to be well used by both customers and non customers. It is completing around 6,500 transactions per month.

Many local groups in the Yarra Junction area have been recipients of sponsorship. With continued support we can get involved in more local initiatives. The sponsorships are not only great for the local groups they also help increase the awareness of our branches and assist with the development of business

Our branch team remains unchanged since our opening. Many thanks to Emily, Carla, Karen and Marissa for continuing to provide excellent service.

Thanks also to the Board of Directors for their continual support and guidance. A special thank you to our recently retired Chairman Rodney McKail for his efforts, in particular his involvement in getting the Yarra Junction branch up and running.

Finally, thank you to all of you who have supported the branch by either banking with us or referring business to us. The support is much appreciated.

Adam Whitworth
Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Mr G M Vickers
Company Secretary

Mr M Magee
Truck Body Builder

Mr L B Marshall
Retired Maintenance Manager

Mr R J Woods
Environmental Consultant

Mrs J D Hall
Retired Shop Proprietor

Mr S J Freestone (Appointed 19 November 2008)
Teacher

Mrs C L Aulich (Resigned 19 November 2008)
Account Manager

Ms E R Fox
Student Counsellor

Mr R McKail (Resigned 22 June 2009)
Governance Manager

Mr B J Sharman (Resigned 23 March 2009)
Administrative Officer

Mrs S L Hawkins (Appointed 27 October 2008)
Retired Administration Officer

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

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

Principal activities

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

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. During the year the Company paid Donations and Community payments of $191,435 (2008: $124,356). The profit of the Company for the financial year after provision for income tax was $5,003 (2008: $46,572).

	Year ended 30 June 2009	
Dividends	**Cents per share**	**Total $**
Dividends paid in the year:		
- As recommended in the prior year report	2	38,605

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Directors' benefits

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

Executive remuneration

	Primary benefits salary & fees $	Post employment superannuation $	Other $	Total $
Darren Pennington (Branch Manager)				
2009	77,814	7,003	-	84,817
2008	74,730	6,725	-	81,455
Adam Whitworth (Branch Manager)				
2009	69,322	6,239	-	75,561
2008	27,500	2,475	-	29,975
Geoffrey Vickers (Company Secretary)				
2009	62,915	9,272	-	72,187
2008	60,575	5,483	-	66,058

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager 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.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the year were:

Number of meetings held:	**12**
Number of meetings attended:	
Mr G M Vickers	12
Mrs C L Aulich (Resigned 19 November 2008)	3
Mr M Magee	11
Ms E R Fox	10
Mr L B Marshall	10
Mr R McKail (Resigned 22 June 2009)	10
Mr R J Woods	8
Mr B J Sharman (Resigned 23 March 2009)	6
Mrs J D Hall	9
Mrs S L Hawkins (Appointed 27 October 2008)	6
Mr S J Freestone (Appointed 19 November 2008)	8

Company Secretary

Mr G M Vickers has been the Company Secretary of Upper Yarra Community Enterprise Ltd for 6 1/2 years, he holds qualifications in Hospitality, Horticulture and Community services. He operated his own crop spraying business for 10 years until he sold the business in 2004. Prior to commencing his business he was Operations Manager for Muirfield Plant Protection.

Corporate governance

The Company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee are G Vickers (Convenor) & M Magee;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

7 September 2009

The Directors
Upper Yarra Community Enterprise Ltd
P O Box 170
IVANHOE VIC 3079

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Upper Yarra Community Enterprise Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Warburton, Victoria on 7 September 2009.

Maxwell Magee
Chairperson

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	2	1,218,371	1,009,552
Employee benefits expense	3	(606,795)	(460,969)
Depreciation and amortisation expense	3	(62,202)	(43,025)
Finance costs	3	(8,769)	(12,394)
Charitable donations and sponsorship		(191,435)	(124,356)
Administration and other expenses from ordinary activities		(324,936)	(290,999)
Profit before income tax		**24,234**	**77,809**
Income tax expense	4	19,231	31,237
Profit after income tax expense		**5,003**	**46,572**
Earnings per share (cents per share)			
- basic for profit for the year	23	0.26	3.90
- diluted for profit for the year	23	0.26	3.90
- dividends paid per share	22	2	12

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	6	336,636	376,283
Current tax refundable	4	4,811	176
Investments	7	364,799	351,624
Receivables	8	121,884	100,562
Total current assets		**828,130**	**828,645**
Non-current assets			
Property, plant and equipment	9	781,607	822,240
Intangible assets	10	63,372	83,161
Total non-current assets		**844,979**	**905,401**
Total assets		**1,673,109**	**1,734,046**
Current liabilities			
Payables	11	67,847	68,153
Interest bearing liabilities	12	59,488	59,448
Provisions	13	71,975	48,412
Total current liabilities		**199,310**	**176,013**
Non-current liabilities			
Interest bearing liabilities	12	36,901	87,533
Total non-current liabilities		**36,901**	**87,533**
Total liabilities		**236,211**	**263,546**
Net assets		**1,436,898**	**1,470,500**
Equity			
Share capital	14	1,113,506	1,113,506
Retained earnings	15	323,392	356,994
Total equity		**1,436,898**	**1,470,500**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,285,255	1,062,678
Cash payments in the course of operations		(1,227,458)	(941,799)
Interest received		17,399	28,888
Dividends and distributions received		13,175	-
Interest paid		-	(12,394)
Income tax refunded / (paid)		(23,866)	(34,558)
Net cash flows from operating activities	**16b**	**64,505**	**102,815**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,780)	(239,680)
Payments for intangible assets		-	(88,455)
Purchase of investments		(13,175)	(351,624)
Net cash flows from investing activities		**(14,955)**	**(679,759)**
Cash flows from financing activities			
Repayment of borrowings		(50,592)	(48,192)
Dividends paid		(38,605)	(48,000)
Issue of share capital		-	730,250
Share issue costs		-	(16,744)
Net cash flows from financing activities		**(89,197)**	**617,314**
Net increase / (decrease) in cash held		**(39,647)**	**40,370**
Add opening cash brought forward		376,283	335,913
Closing cash carried forward	**16a**	**336,636**	**376,283**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		1,113,506	400,000
Issue of share capital		-	730,250
share issue costs		-	(16,744)
Balance at end of year		**1,113,506**	**1,113,506**
Retained earnings			
Balance at start of year		356,994	358,422
Profit after income tax expense		5,003	46,572
Dividends paid		(38,605)	(48,000)
Balance at end of year		**323,392**	**356,994**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 7 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Computers	15-50%
Plant & equipment	10-25%
Building	2.5%

Impairment

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

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

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

Recoverable amount of assets

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

Goods and services tax

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

Receivables and payables are stated 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 Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 10% per annum. Franchise fees have been amortised on a straight line basis at a rate of 20%.

Cash

Cash on hand and in banks are stated at nominal value.

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

Comparative figures

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

Revenue

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

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

Investments

Investments are recorded at cost.

Note 1. Basis of preparation of the financial report (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 2. Revenue from ordinary activities

	2009 $	2008 $
Operating activities		
- services commissions	1,185,597	978,541
- other revenue	2,200	2,123
Total revenue from operating activities	**1,187,797**	**980,664**
Non operating activities		
- interest received	17,399	28,888
- other revenue	13,175	-
Total revenue from non-operating activities	**30,574**	**28,888**
Total revenue from ordinary activities	**1,218,371**	**1,009,552**

Notes to the financial statements continued

	2009 $	2008 $

Note 3. Expenses

	2009 $	2008 $
Employee benefits expense		
- wages and salaries	529,078	413,969
- superannuation costs	52,157	36,808
- workers' compensation costs	1,997	1,148
- other costs	23,563	9,044
	606,795	**460,969**
Depreciation of non-current assets:		
- plant and equipment	18,848	16,647
- buildings	23,565	15,575
Amortisation of non-current assets:		
- intangibles	19,789	10,803
	62,202	**43,025**
Finance costs:		
- interest paid	8,769	12,394
Bad debts	1,939	779

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2009 $	2008 $
Prima facie tax on profit before income tax at 30%	7,271	23,343
Add tax effect of:		
- Non-deductible expenses / (other deductible expenses)	14,150	7,894
- Imputation credits	(2,190)	-
Current income tax expense	**19,231**	**31,237**
Income tax expense	**19,231**	**31,237**
Tax liabilities / assets		
Current tax refundable	**4,811**	**176**

Notes to the financial statements continued

	2009 $	2008 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by

Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	**3,650**	**3,650**

Note 6. Cash assets

Cash at bank and on hand	**336,636**	**376,283**

Note 7. Investments

Listed shares at cost	106,735	101,624
Managed investment	258,064	250,000
	364,799	**351,624**

Note 8. Receivables

Commission receivable	117,534	99,562
Sundry debtors & prepayments	4,350	1,000
	121,884	**100,562**

Note 9. Property, plant and equipment

Plant and equipment		
At cost	129,385	127,605
Less accumulated depreciation	(52,879)	(38,497)
	76,506	**89,108**
Furniture and fittings		
At cost	63,352	63,352
Less accumulated depreciation	(25,948)	(21,482)
	37,404	**41,870**

Notes to the financial statements continued

	2009 $	2008 $

Note 9. Property, plant and equipment (continued)

Land		
At cost	200,000	200,000
	200,000	**200,000**
Buildings & leasehold improvements		
At cost	515,041	515,041
Less accumulated depreciation	(47,344)	(23,779)
	467,697	**491,262**
Total written down amount	**781,607**	**822,240**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	89,108	55,900
Additions	1,780	45,878
Depreciation expense	(14,382)	(12,670)
Carrying amount at end of year	**76,506**	**89,108**
Furniture and fittings		
Carrying amount at beginning of year	41,870	25,171
Additions	-	20,676
Depreciation expense	(4,466)	(3,977)
Carrying amount at end of year	**37,404**	**41,870**
Land		
Carrying amount at beginning of year	200,000	200,000
Additions	-	-
Carrying amount at end of year	**200,000**	**200,000**
Buildings & leasehold improvements		
Carrying amount at beginning of year	491,262	333,711
Additions	-	173,126
Depreciation expense	(23,565)	(15,575)
Carrying amount at end of year	**467,697**	**491,262**

Notes to the financial statements continued

	2009 $	2008 $

Note 10. Intangible assets

Franchise fee		
At cost	90,000	90,000
Less accumulated amortisation	(32,834)	(14,834)
	57,166	**75,166**
Preliminary expenses		
At cost	9,435	9,435
Less accumulated amortisation	(3,229)	(1,440)
	6,206	**7,995**
	63,372	**83,161**

Note 11. Payables

Trade creditors	**67,847**	**68,153**

Note 12. Interest bearing liabilities

Current		
Secured loans		
- Land & buildings	**59,488**	**59,488**
Non-current		
Secured loans		
- Land & buildings	**36,901**	**87,533**

The Land & Buildings loan is secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at a fixed rate of 7.2% (2008: 7.2%).

Note 13. Provisions

Employee benefits	**71,975**	**48,412**
Number of employees at year end	**12**	**13**

	2009 $	2008 $

Note 14. Share capital

	2009 $	2008 $
400,000 Ordinary shares fully paid of $1 each	400,000	400,000
800,000 Ordinary shares fully paid of $1 each	-	-
730,250 Ordinary shares fully paid of $1 each	730,250	730,250
Less shares issue costs	(16,744)	(16,744)
	1,113,506	**1,113,506**

- 800,000 shares were issued on 7 November 2007 as a bonus at the ratio of 2:1.
- 730,250 shares were issued on 13 February 2008 to raise capital.

Note 15. Retained earnings

	2009 $	2008 $
Balance at the beginning of the financial year	356,994	358,422
Profit after income tax	5,003	46,572
Dividends	(38,605)	(48,000)
Balance at the end of the financial year	**323,392**	**356,994**

Note 16. Cash flow statement

(a) Reconciliation of cash

	2009 $	2008 $
Cash assets	**336,636**	**376,283**

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

	2009 $	2008 $
Profit after income tax	5,003	46,572
Non cash items		
- Depreciation	42,413	32,222
- Amortisation	19,789	10,803

	2009 $	2008 $

Note 16. Cash flow statement (continued)

Changes in assets and liabilities

	2009 $	2008 $
- (Increase) decrease in receivables	(21,322)	(18,932)
- (Increase) decrease in tax refundable	(4,635)	(3,321)
- Increase (decrease) in payables	(306)	26,426
- Increase (decrease) in provisions	23,563	9,045
Net cash flows from / (used in) operating activities	**64,505**	**102,815**

Note 17. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Mr G M Vickers

Mrs C L Aulich (Resigned 19 November 2008)

Mr M Magee

Ms E R Fox

Mr L B Marshall

Mr R McKail (Resigned 22 June 2009)

Mr R J Woods

Mr B J Sharman (Resigned 23 March 2009)

Mrs J D Hall

Mrs S L Hawkins (Appointed 27 October 2008)

Mr S J Freestone (Appointed 19 November 2008)

No Director or related entity has entered into a material contract with the Company. Other than stated below no Directors' fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 17. Director and related party disclosures (continued)

Directors' shareholdings	**2009**	**2008**
Mr G M Vickers	2,000	2,000
Mrs C L Aulich (Resigned 19 November 2008)	1,250	1,000
Mr M Magee	6,000	6,000
Ms E R Fox	-	-
Mr L B Marshall	-	-
Mr R McKail (Resigned 22 June 2009)	1,000	1,000
Mr R J Woods	1,000	1,000
Mr B J Sharman (Resigned 23 March 2009)	3,000	3,000
Mrs J D Hall	30,000	30,000
Mrs S L Hawkins (Appointed 27 October 2008)	1,000	1,000
Mr S J Freestone (Appointed 19 November 2008)	-	-

Except for the puchase of 250 shares by C L Aulich there was no movement in Directors' shareholdings during the year. All shares have a paid up value of $1 and are fully paid.

Executive remuneration

	Primary benefits salary & fees $	**Post employment superannuation $**	**Other $**	**Total $**
Darren Pennington (Branch Manager)				
2009	77,814	7,003	-	84,817
2008	74,730	6,725	-	81,455
Adam Whitworth (Branch Manager)				
2009	69,322	6,239	-	75,561
2008	27,500	2,475	-	29,975
Geoffrey Vickers (Company Secretary)				
2009	62,915	9,272	-	72,187
2008	60,575	5,483	-	66,058

Note 18. Subsequent events

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

Note 19. Contingent liabilities

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

Note 20. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Warburton, Victoria.

Note 21. Corporate information

Warburton Community Financial Services Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:
3399 Warburton Highway,
Warburton VIC 3799

	2009 $	2008 $

Note 22. Dividends paid or provided for on ordinary shares

	2009 $	2008 $
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 2 cents per share (2008: 12 cents franked per share)	**38,605**	**48,000**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2008: nil cents per share)	**-**	**-**

	2009 $	2008 $

Note 22. Dividends paid or provided for on ordinary shares (continued)

(c) Franking credit balance

	2009 $	2008 $
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year	248,019	238,508
• Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
• Franking debits that will arise from the refund of income tax as at the end of the financial year	(4,811)	(176)
	243,208	**238,332**

The tax rate at which dividends have been franked is 30% (2008: 30%).

Dividends proposed will be franked at a rate of 30% (2008: 30%).

Note 23. Earnings per share

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

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

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

	2009 $	2008 $
Profit after income tax expense	**5,003**	**46,572**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,930,250**	**1,193,373**

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2009 $	**2008 $**
Cash assets	336,636	376,283
Receivables	121,884	100,562
	458,520	**476,845**

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

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2009					
Payables	67,847	(67,847)	(67,847)	–	–
Interest bearing liabilities	96,389	(105,656)	(59,488)	(46,168)	–
	164,236	**(173,503)**	**(127,335)**	**(46,168)**	**–**
30 June 2008					
Payables	68,153	(68,153)	(68,153)	–	–
Interest bearing liabilities	146,981	(161,958)	(59,488)	(102,470)	–
	215,134	**(230,111)**	**(127,641)**	**(102,470)**	**–**

(c) Market risk

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

Interest rate risk

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

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2009 $	2008 $
Fixed rate instruments		
Financial assets	177,317	9,430
Financial liabilities	-	-
	177,317	**9,430**
Variable rate instruments		
Financial assets	159,319	366,853
Financial liabilities	(96,389)	(146,981)
	62,930	**219,872**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

Note 24. Financial risk management (continued)

(e) 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 Balance Sheet.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

Directors' declaration

In accordance with a resolution of the Directors of Upper Yarra Community Enterprise Limited, I 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 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;

(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; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

Maxwell Magee

Chairperson

Signed at Warburton, Victoria on 7 September 2009.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF UPPER YARRA COMMUNITY ENTERPRISE LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Upper Yarra Community Enterprise Limited, for the year ended 30 June 2009.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Upper Yarra Community Enterprise Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 7 September 2009

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