

# annual report 2010



Upper Yarra Community

Enterprise Limited

ABN 54 090 252 627

Warburton **Community Bank**<sup>®</sup> Branch

Yarra Junction District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2010

Another great year for Upper Yarra Community Enterprise Ltd and I'm very honoured to be presenting the 11th annual report to you in a glowing fashion.

I would like to start off with a big thank you to Maxwell Magee who was our Chairman this time last year. Max resigned on 21 June 2010 after eight years on the Board with three of those as deputy chair and one year as Chairman.

Max had the faith in me to nominate me as his deputy and I have learnt so much from him. So on behalf of the shareholders, staff and the Board, thank you Max.

When Max resigned I was installed as the acting Chair the next day. At the Board meeting on 27 September 2010 I was voted as Chairman, a position I accepted with great honour.

Our Board is strong and united and I thank my fellow Directors in having the faith in me to lead the team, I have much to learn but I am very comfortable in the knowledge that our Board is very sound over all aspects of the business with our Executive Officer Geoff Vickers having the duty of the day to day running of the Company. Without Geoff as our EO we, as Directors could not focus on the important matters of the community.

Both branches are going very strong as you will notice in the Managers reports, with good increases over all spectrums of the business. The Yarra Junction branch is approaching the end of its third year and is shaping up to be in a profitable situation sooner than later.

With the Warburton branch celebrating 10 years last February it is full steam ahead complete with its new "Branch of the Future" fit out. It's a user-friendly relaxed redesign but keeping the heritage feel of the building on the outside. All feedback has it an overwhelming success.

The 10th birthday celebrations went very well although the weather didn't play its key role in the day, but nothing can dampen our spirits when it comes to the branch. Thanks to all involved from our community, Board and Bendigo for celebrating this great milestone.

I would like to congratulate Darren, Adam and their team on providing outstanding results and customer service that allows us to support and endorse so many user groups and sporting clubs. I would also like to welcome Mark Nolan as our new Regional Manager and thank Alison Burr who is now an Area Manager, Alison has been a great help and friend to our Board and we thank her for her valued support.

Our greatest joy at Board level is giving out grants and sponsorship to many clubs and organisations that benefit our community. One of my favourites is the Class Driver course where we put teenage drivers through a week long course to get them ready for the open road. We have put approximately 45 kids through this course to date and we thank Trev Sobey who has now passed the baton on to local instructor Bernie Jager to conduct this important duty.

## Chairman's report continued

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This financial year \$190,000 went back in to our community through the grants and sponsorship process, making it more than \$1.2 million over the past 10 year period of the branch.

I would like to finish with a big thank you to our shareholders and our customers who without you we don't exist. We do need your support so we can keep supporting our community so please tell our story and spread the word, you would be surprised the amount of people that really don't understand what we are about. Please remember they are your **Community Bank**<sup>®</sup> branches, so if you have any ideas or suggestions, I urge you to pop in for a chat, we are much more than just a Bank so please give us your feedback.

A handwritten signature in black ink, appearing to read 'Rodney Woods', with a stylized flourish at the end.

**Rodney Woods**  
**Chairman**

# Warburton Manager's report

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For year ending 30 June 2010

The past financial has seen the Warburton **Community Bank**<sup>®</sup> Branch take on a new look. We have transformed into Bendigo and Adelaide Bank Ltds' 'branch of the future' model. This new design has seen our branch have new technology installed and the removal of counters with screens, the result an open branch which enables staff and customers to have better conversations and interactions within our branch. One of the main positives as been our automated coin counting and sorting machine, this has saved staff time and customers enjoy the easy approach when it comes to using the machine.

Last year I said we were approaching our 10th birthday. Well this has now been and gone on 25 February 2010. Although the day itself was very wet and resulted in some of the entertainment being cancelled it still enabled us and the community to reflect and celebrate the magnificent milestone the has been achieved by this community. One of the most significant milestones is the distribution of \$1.2 million back to the Warburton and surrounding districts to help support various clubs, schools, playgroups, senior citizens, kindergartens, CFA, SES and the list goes on. This makes us extremely proud that we have been able to provide these funds back to help these clubs and associations improve and implement programs that otherwise may not have started or programs that may have had to cease without this support. I hope you as shareholders have also seen the benefits or even being able to experience the benefits that have been provided back to the community.

Of course we couldn't do any of this without the community support, which is having the people in the **Community Bank**<sup>®</sup> branch with us. It is as simple as having your banking with us and you are helping us help the community. In fact the **Community Bank**<sup>®</sup> model around Australia has now made \$40 million in community contributions, and we have made \$1.2million of that, which is amazing when you consider that there are around 256 **Community Bank**<sup>®</sup> branches. So keep supporting us so we can keep supporting the community.

As at 30 June 2010 our total book balance was \$93.2 million. That represents growth of \$12.077 million for the financial year. This result is outstanding, and goes to show the support Warburton **Community Bank**<sup>®</sup> Branch has from the community and the belief that is hold in our bank. But, that was last year and we must not rest on this result, we must keep attracting new customers to our business and have existing customers do more business with us. We need this support as this determines how much we are able to provide back to the community. The more business we have the more funds we can give back, it really is that simple!

Our customer numbers are 3,194 customers as at 30 June 2010. The product per customer is currently at 1,943. This means that for every customer we have they each have around 2 products with us, this is an important figure as it shows how much banking our customers are doing with us. Through our insurance, financial planning and business banking we are able to provide a full financial service for the district, as well as providing local, friendly back up support.

The use of the **Community Bank**<sup>®</sup> branch is strong, we were processing approximately 3,000 over the counter transactions per month, and the ATM is processing around 7,000 transactions per month. This figure hasn't changed and is consistently around this amount every year.

## Warburton Manager's report continued

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As for the next 12 months we will face new challenges as always with the economy which can affect our business in different ways, but we are well placed to face these challenges with the support of our partnership with Bendigo and Adelaide Bank Ltd.

So to all who support us I say thank you, and to those that are considering the move or have been meaning to do it, I invite you to contact us or come in and see our new branch and experience a bank that this community has created. See what the **Community Bank**<sup>®</sup> concept can do for you and your community!

Finally, but most importantly nothing could be achieved without the work the team at the branch do to ensure a friendly and efficient bank. So to Lisa, Ros, Tanya, Penni and Linda you all do an outstanding job which I appreciate and I know our customers appreciate. I would also like to thank the team at our Yarra Junction branch who has also helped us over the year, you also do a great job and with both branches working side by side we can only have wonderful outcomes for all.



**Darren Pennington**  
**Manager**

# Yarra Junction Manager's report

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For year ending 30 June 2010

The Yarra Junction branch has now completed its second full year of trading. As at the end of the financial year we had increased our total banking business to \$32.4 million and 2,088 accounts held. This represents an increase of around \$7.6 million for the year. This was a little behind our budgeted growth for the year. Some good news however is that we recorded our first profitable month in June. This occurred ahead of budget. We still need to grow our business some more before we can achieve sustained monthly profits.

Usage of the branch continues to be strong; we are completing around 3,000 over the counter transactions per month and the ATM is completing around 7,000 transactions per month.

The Board of Directors has continued to support local groups and community initiatives through our grants and sponsorships. Many local groups, some of which you may be involved in, have received funding in the last year. These sponsorships are not only great for the community organisations, they are good for our business as they increase the awareness of the branch and the **Community Bank**<sup>®</sup> model.

My thanks go to the wonderful staff at the branch. They continue to provide excellent service to our customers. Emily Sharp, who has been with us since our opening, will be leaving shortly to commence her maternity leave. We wish Emily and her husband Andrew all the very best for their impending arrival and hope to welcome Emily back some time next year.

On behalf of the branch team and myself, thank you to all of you who have supported your **Community Bank**<sup>®</sup> branch. For us to continue to grow and make a real difference we need the support of our shareholders and the community we service. I trust our shareholders will continue to support and recommend our business so that our work in the community continues to grow.

Finally I would like to thank the Board of Directors for their continued support and assistance throughout the year. In particular Max Magee who resigned as a Director and Company Chairperson during the year.



**Adam Whitworth**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

## 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** (Resigned 22 June 2010)

Truck Body Builder

**Mr L B Marshall**

Retired Maintenance Manager

**Mr R J Woods**

Environmental Consultant

**Mrs J D Hall**

Retired Shop Proprietor

**Mr P Kimberley** (Appointed 19 April 2010)

Insurance Broker

**Mrs L J McMath Hall** (Appointed 23 November 2009)

Real Estate Agent

**Ms E R Fox**

Student Counsellor

**Mr J C Child** (Appointed 28 September 2009)

Retired Business Owner

**Mr S J Freestone** (Resigned 19 November 2009)

Teacher

**Mrs S L Hawkins** (Resigned 28 September 2009)

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**<sup>®</sup> 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.

## Operating results

Operations have continued to perform in line with expectations. During the year the Company paid Donations and Community payments of \$190,816 (2009: \$191,435). The profit of the Company for the financial year after provision for income tax was \$73,140 (2009: \$5,003).



# Directors' report continued

<b>Dividends</b>	<b>Year ended 30 June 2010</b>	
	<b>Cents per share</b>	<b>Total \$</b>
Dividends paid in the year:		
- As recommended in the prior year report	3	57,907

## **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**

	<b>Primary benefits salary &amp; fees \$</b>	<b>Post employment superannuation \$</b>	<b>Other \$</b>	<b>Total \$</b>
Geoffrey Vickers (Company Secretary)				
2010	63,831	9,405	-	73,236
2009	62,915	9,272	-	72,187

The remuneration of Branch Managers has not been included as the managers are not involved in executive decision making and act at the instruction of the Board of Directors.

# Directors' report continued

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## Indemnification and Insurance of Directors and Officers

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

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

## Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Mr G M Vickers	12 (12)	12 (12)
Mrs L J McMath Hall (Appointed 23 November 2009)	4 (6)	N/A
Mr M Magee (Resigned 22 June 2010)	10 (12)	10 (12)
Ms E R Fox	8 (12)	N/A
Mr L B Marshall	8 (12)	N/A
Mr R J Woods	8 (12)	N/A
Mrs J D Hall	10 (12)	N/A
Mrs S L Hawkins (Resigned 28 September 2009)	2 (2)	N/A
Mr S J Freestone (Resigned 19 November 2009)	5 (5)	N/A
Mr J C Child (Appointed 28 September 2009)	9 (9)	9 (9)
Mr P Kimberley (Appointed 19 April 2010)	2 (2)	2 (2)

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

N/A - not a member of that Committee.

## Company Secretary

Mr G M Vickers has been the Company Secretary of Upper Yarra Community Enterprise Ltd since 2003. 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.

# Directors' report continued

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## 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), J Child and P Kimberley;
- (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



23 September 2010

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

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

Dear Directors

#### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Upper Yarra Community Enterprise Ltd for the year ended 30 June 2010, 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 23 September 2010

**Geoffrey M Vickers**  
Director/Company Secretary

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	1,377,753	1,218,371
Employee benefits expense	3	(625,534)	(606,795)
Depreciation and amortisation expense	3	(94,019)	(62,202)
Finance costs	3	(6,395)	(8,769)
Charitable donations and sponsorship		(190,816)	(191,435)
Administration and other expenses from ordinary activities		(344,441)	(324,936)
<b>Profit before income tax</b>		<b>116,548</b>	<b>24,234</b>
Income tax expense	4	43,408	19,231
<b>Profit after income tax expense</b>		<b>73,140</b>	<b>5,003</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>73,140</b>	<b>5,003</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	3.79	0.26
- diluted for profit for the year	23	3.79	0.26

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	362,352	336,636
Current tax refundable	4	-	4,811
Investments	7	382,177	364,799
Receivables	8	139,109	121,884
<b>Total current assets</b>		<b>883,638</b>	<b>828,130</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	858,138	781,607
Intangible assets	10	54,695	63,372
<b>Total non-current assets</b>		<b>912,833</b>	<b>844,979</b>
<b>Total assets</b>		<b>1,796,471</b>	<b>1,673,109</b>
<b>Current liabilities</b>			
Payables	11	52,450	67,847
Current tax liability	4	29,789	-
Loans and borrowings	12	59,488	59,488
Provisions	13	82,561	71,975
<b>Total current liabilities</b>		<b>224,288</b>	<b>199,310</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	120,052	36,901
<b>Total non-current liabilities</b>		<b>120,052</b>	<b>36,901</b>
<b>Total liabilities</b>		<b>344,340</b>	<b>236,211</b>
<b>Net assets</b>		<b>1,452,131</b>	<b>1,436,898</b>
<b>Equity</b>			
Share capital	14	1,113,506	1,113,506
Retained earnings	15	338,625	323,392
<b>Total equity</b>		<b>1,452,131</b>	<b>1,436,898</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,476,882	1,285,255
Cash payments in the course of operations		(1,301,420)	(1,218,689)
Interest received		6,798	17,399
Dividends and distributions received		12,666	13,175
Interest paid		(6,395)	(8,769)
Income tax refunded / (paid)		(8,808)	(23,866)
<b>Net cash flows from operating activities</b>	<b>16b</b>	<b>179,723</b>	<b>64,505</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(150,662)	(1,780)
Payments for intangible assets		(11,211)	-
Purchase of investments		(17,378)	(13,175)
<b>Net cash flows from investing activities</b>		<b>(179,251)</b>	<b>(14,955)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		83,151	(50,592)
Dividends paid		(57,907)	(38,605)
<b>Net cash flows from financing activities</b>		<b>25,244</b>	<b>(89,197)</b>
<b>Net increase / (decrease) in cash held</b>		<b>25,716</b>	<b>(39,647)</b>
Cash and cash equivalents at start of year		336,636	376,283
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<b>362,352</b>	<b>336,636</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
<b>Share capital</b>			
Balance at start of year		1,113,506	1,113,506
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>1,113,506</b>	<b>1,113,506</b>
<b>Retained earnings</b>			
Balance at start of year		323,392	356,994
Profit after income tax expense		73,140	5,003
Dividends paid	22	(57,907)	(38,605)
<b>Balance at end of year</b>		<b>338,625</b>	<b>323,392</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

Upper Yarra Community Enterprise Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 23 September 2010.

### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 reporting 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 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 income tax asset to be utilised.



# Notes to the financial statements continued

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

### **Income tax (continued)**

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.

### **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:

<b>Class of asset</b>	<b>Depreciation rate</b>
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.

# Notes to the financial statements continued

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

### **Goods and services tax (continued)**

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. Cash flows are included in the Statement of Cash Flows 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.

### **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 reporting 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 statement of cash flows, 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.

# Notes to the financial statements continued

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

### Loans and borrowings

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

### Investments

Investments are recorded at cost.

### 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.

### Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010	2009
	\$	\$
<b>Note 2. Revenue from ordinary activities</b>		
<b>Operating activities</b>		
- services commissions	1,356,388	1,185,597
- other revenue	1,900	2,200
<b>Total revenue from operating activities</b>	<b>1,358,288</b>	<b>1,187,797</b>
<b>Non operating activities</b>		
- interest received	6,798	17,399
- other revenue	12,667	13,175
<b>Total revenue from non-operating activities</b>	<b>19,465</b>	<b>30,574</b>
<b>Total revenue from ordinary activities</b>	<b>1,377,753</b>	<b>1,218,371</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	556,441	529,078
- superannuation costs	56,649	52,157
- workers' compensation costs	1,858	1,997
- other costs	10,586	23,563
	<b>625,534</b>	<b>606,795</b>
<b>Depreciation of non-current assets:</b>		
- plant and equipment	23,875	18,848
- write down of assets scrapped	28,250	-
- buildings	22,006	23,565
<b>Amortisation of non-current assets:</b>		
- intangibles	19,888	19,789
	<b>94,019</b>	<b>62,202</b>
<b>Finance costs:</b>		
- interest paid	6,395	8,769
Bad debts	626	1,939
<b>Note 4. Income tax expense</b>		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	34,964	7,271
Add tax effect of:		
- Non-deductible expenses / (other deductible expenses)	10,709	14,150
- Imputation credits	(1,646)	(2,190)
<b>Current income tax expense</b>	<b>44,027</b>	<b>19,231</b>
Over provision of tax in prior year	619	-
<b>Income tax expense</b>	<b>43,408</b>	<b>19,231</b>
<b>Tax liabilities / assets</b>		
<b>Current tax refundable / (liability)</b>	<b>(29,789)</b>	<b>4,811</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond,  
Sinnott & Delahunty for:

<b>- Audit or review of the financial report of the Company</b>	<b>3,900</b>	<b>3,650</b>
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### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>362,352</b>	<b>336,636</b>
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### Note 7. Investments

Listed shares at cost	115,288	106,735
Managed investment	266,889	258,064
<b></b>	<b>382,177</b>	<b>364,799</b>

### Note 8. Receivables

Commission receivable	134,009	117,534
Sundry debtors & prepayments	5,100	4,350
<b></b>	<b>139,109</b>	<b>121,884</b>

### Note 9. Property, plant and equipment

#### Plant and equipment

At cost	127,750	129,385
Less accumulated depreciation	(39,032)	(52,879)
<b></b>	<b>88,718</b>	<b>76,506</b>

#### Furniture and fittings

At cost	138,857	63,352
Less accumulated depreciation	(15,128)	(25,948)
<b></b>	<b>123,729</b>	<b>37,404</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment (continued)		
<b>Land</b>		
At cost	200,000	200,000
	<b>200,000</b>	<b>200,000</b>
<b>Buildings &amp; leasehold improvements</b>		
At cost	515,041	515,041
Less accumulated depreciation	(69,350)	(47,344)
	<b>445,691</b>	<b>467,697</b>
<b>Total written down amount</b>	<b>858,138</b>	<b>781,607</b>
<b>Movements in carrying amounts</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning of year	76,506	89,108
Additions	44,048	1,780
Disposals	(17,354)	-
Depreciation expense	(14,482)	(14,382)
<b>Carrying amount at end of year</b>	<b>88,718</b>	<b>76,506</b>
<b>Furniture and fittings</b>		
Carrying amount at beginning of year	37,404	41,870
Additions	106,614	-
Disposals	(10,896)	-
Depreciation expense	(9,393)	(4,466)
<b>Carrying amount at end of year</b>	<b>123,729</b>	<b>37,404</b>
<b>Land</b>		
Carrying amount at beginning of year	200,000	200,000
Additions	-	-
<b>Carrying amount at end of year</b>	<b>200,000</b>	<b>200,000</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment (continued)		
<b>Buildings &amp; leasehold improvements</b>		
Carrying amount at beginning of year	467,697	491,262
Additions	-	-
Depreciation expense	(22,006)	(23,565)
<b>Carrying amount at end of year</b>	<b>445,691</b>	<b>467,697</b>

### Note 10. Intangible assets

#### Franchise fee

At cost	91,211	90,000
Less accumulated amortisation	(40,934)	(32,834)
	<b>50,277</b>	<b>57,166</b>

#### Preliminary expenses

At cost	9,435	9,435
Less accumulated amortisation	(5,017)	(3,229)
	<b>4,418</b>	<b>6,206</b>
	<b>54,695</b>	<b>63,372</b>

### Note 11. Payables

<b>Trade creditors</b>	<b>52,450</b>	<b>67,847</b>
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### Note 12. Loans and borrowings

#### Current

Secured loans		
<b>- Land &amp; buildings</b>	<b>59,488</b>	<b>59,488</b>

#### Non-current

Secured loans		
<b>- Land &amp; buildings</b>	<b>120,052</b>	<b>36,901</b>

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% (2009: 7.2%).

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 13. Provisions</b>		
<b>Employee benefits</b>	<b>82,561</b>	<b>71,975</b>

### Note 14. Share capital

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)
	<b>1,113,506</b>	<b>1,113,506</b>

- 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

Balance at the beginning of the financial year	323,392	356,994
Profit after income tax	73,140	5,003
Dividends	(57,907)	(38,605)
<b>Balance at the end of the financial year</b>	<b>338,625</b>	<b>323,392</b>

### Note 16. Statement of cash flows

#### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>362,352</b>	<b>336,636</b>
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#### (b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	73,140	5,003
Non cash items		
- Depreciation	45,881	42,413
- Amortisation	19,888	19,789
- Net loss on assets scrapped	28,250	-



## Notes to the financial statements continued

	2010 \$	2009 \$
Note 16. Statement of cash flows (continued)		
<b>Changes in assets and liabilities</b>		
- (Increase) decrease in receivables	(17,225)	(21,322)
- (Increase) decrease in tax refundable	4,811	(4,635)
- (Increase) decrease in current tax liability	29,789	-
- Increase (decrease) in payables	(15,397)	(306)
- Increase (decrease) in provisions	10,586	23,563
<b>Net cash flows from / (used in) operating activities</b>	<b>179,723</b>	<b>64,505</b>

## 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 L J McMath Hall (Appointed 23 November 2009)

Mr M Magee (Resigned 22 June 2010)

Ms E R Fox

Mr L B Marshall

Mr R J Woods

Mr J C Child (Appointed 28 September 2009)

Mrs J D Hall

Mrs S L Hawkins (Resigned 28 September 2009)

Mr S J Freestone (Resigned 19 November 2009)

Mr P Kimberley (Appointed 19 April 2010)

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)

<b>Directors' shareholdings</b>	<b>2010</b>	<b>2009</b>
Mr G M Vickers	2,000	2,000
Mrs L J McMath Hall (Appointed 23 November 2009)	5,000	5,000
Mr M Magee (Resigned 22 June 2010)	6,000	6,000
Ms E R Fox	-	-
Mr L B Marshall	-	-
Mr R J Woods	1,000	1,000
Mr J C Child (Appointed 28 September 2009)	-	-
Mrs J D Hall	30,000	30,000
Mrs S L Hawkins (Resigned 28 September 2009)	1,000	1,000
Mr S J Freestone (Resigned 19 November 2009)	-	-
Mr P Kimberley (Appointed 19 April 2010)	15,000	-

There was no movement in Directors' shareholdings during the year other than 15,000 shares acquired by Mr P Kimberley on 8 June 2010.. All shares have a paid up value of \$1 and are fully paid.

### Executive remuneration

	<b>Primary benefits salary &amp; fees \$</b>	<b>Post employment superannuation \$</b>	<b>Other \$</b>	<b>Total \$</b>
Geoffrey Vickers (Company Secretary)				
2010	63,831	9,405	-	73,236
2009	62,915	9,272	-	72,187

### 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.

## Notes to the financial statements continued

### Note 20. Segment reporting

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

### Note 21. Corporate information

Upper Yarra Community Enterprise Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

3399 Warburton Highway,

Warburton VIC 3799

	2010 \$	2009 \$
<b>Note 22. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends paid during the year</b>		
Previous year final		
<b>Franked dividends - 3 cents per share (2009: 2 cents franked per share)</b>	<b>57,907</b>	<b>38,605</b>
<b>(b) Dividends proposed and not recognised as a liability</b>		
<b>Franked dividends - nil cents per share (2009: nil cents per share)</b>	-	-
<b>(c) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	233,655	248,019
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	29,789	-
- Franking debits that will arise from the refund of income tax as at the end of the financial year	-	(4,811)
	<b>263,444</b>	<b>243,208</b>

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

## Notes to the financial statements continued

	2010 \$	2009 \$
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### 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:

<b>Profit after income tax expense</b>	<b>73,140</b>	<b>5,003</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>1,930,250</b>	<b>1,930,250</b>

### 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, investments and cash assets.

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

	Carrying amount 2010 \$	2009 \$
Cash assets	362,352	336,636
Investments	382,177	364,799
Receivables	139,109	121,884
	<b>883,638</b>	<b>823,319</b>

## Notes to the financial statements continued

### Note 24. Financial risk management (continued)

#### (a) Credit risk (continued)

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 (2009: 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.

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 \$
<b>30 June 2010</b>					
Payables	52,450	(52,450)	(52,450)	-	-
Loans and borrowings	179,540	(204,274)	(59,488)	(144,786)	-
	<b>231,990</b>	<b>(256,724)</b>	<b>(111,938)</b>	<b>(144,786)</b>	<b>-</b>
<b>30 June 2009</b>					
Payables	67,847	(67,847)	(67,847)	-	-
Loans and borrowings	96,389	(105,656)	(59,488)	(46,168)	-
	<b>164,236</b>	<b>(173,503)</b>	<b>(127,335)</b>	<b>(46,168)</b>	<b>-</b>

# Notes to the financial statements continued

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## Note 24. Financial risk management (continued)

### (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.

#### Sensitivity analysis

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

	Carrying amount	
	2010	2009
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	211,971	177,317
Financial liabilities	(179,540)	(96,389)
	<b>32,431</b>	<b>80,928</b>
<b>Variable rate instruments</b>		
Financial assets	150,381	159,319
Financial liabilities	-	-
	<b>150,381</b>	<b>159,319</b>

#### 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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

## Notes to the financial statements continued

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### Note 24. Financial risk management (continued)

#### **(d) Net fair values**

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

#### **(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 Statement of Financial Position.

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

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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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 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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;



**Geoffrey M Vickers**  
**Director/Company Secretary**

Signed at Warburton, Victoria on 23 September 2010.



# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



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

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

#### ***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Upper Yarra Community Enterprise Limited, for the year ended 30 June 2010.

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

Liability limited by a scheme approved under Professional Standards Legislation

## Independent audit report continued

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### **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 2010 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: 23 September 2010









Warburton **Community Bank**<sup>®</sup> Branch  
3399 Warburton Highway, Warburton VIC 3799  
Phone: (03) 5966 2122 Fax: (03) 5966 2144

Yarra Junction District **Community Bank**<sup>®</sup> Branch  
Shop 1, 2452 Warburton Highway, Yarra Junction VIC 3797  
Phone: (03) 5967 1919 Fax: (03) 5967 2662

Franchisee: Upper Yarra Community Enterprise Limited  
3399 Warburton Highway, Warburton VIC 3799  
ABN: 54 090 252 627

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10093) (10/10)