Upper Yarra Community Enterprise Limited

ABN 54 090 252 627

annual report 2011

Warburton and Yarra Junction **Community Bank®** branches

Contents

Chairman's report

For year ending 30 June 2011

Upper Yarra Community Enterprise Limited (UYCEL) has completed another successful financial year with both Warburton and Yarra Junction **Community Bank®** branches recording steady growth.

In reading both Managers reports you will notice the bank branches are very busy with over the counter and ATM transactions.

Warburton **Community Bank®** Branch is now in its 11th year and is recording fantastic results, fast approaching the milestone of 100 million in business. Warburton **Community Bank®** Branch has really established itself within the community.

Yarra Junction **Community Bank®** Branch now into its fourth year is still finding its feet with a 5.8 million increase in business. We need the community to get behind the **Community Bank®** branch and grow it to a level that will have a strong impact on our community.

The difference UYCEL has had on the community has been massive over the past couple of years and to date we have put back into the community well over 1.4 million in sponsorship and grants. This financial year alone we gave out $270,000 in funding.

We have some new staff members to welcome since the last AGM with Sharon Ritchie joining Yarra Junction **Community Bank®** Branch and Kate Ford sharing her time between Yarra Junction and Warburton. Emily Sharp is back from maternity leave and Karen Rollason is enjoying some mum time at the moment with her new baby.

UYCEL will lose a special staff member when Carla takes up the position of CRO at the new Lilydale Company site for Bendigo Bank, this is a fantastic opportunity for Carla and although we are sorry to lose her we are excited for her at the same time. We wish her the best of luck in her new role.

I would just like to take this opportunity on behalf of the Board to thank our great staff and the two Branch Managers Darren and Adam for their great year, not just with banking but their efforts in the community.

To Mark Nolan our Regional Manger and Allison Burr our Area Manager, thank you for your assistance and guidance and the support you continually show our staff.

Thanks again to the wider community who support us and allow us to do the things we do, please tell our story and tell your friends and family to pop in and see us.

Rodney Woods
Chairman

Warburton Manager’s report

For year ending 30 June 2011

Another financial year is over and at Warburton **Community Bank®** Branch we have had another solid year’s performance. As at 30 June 2010 our total book balance was $99.498 million, just short of the $100 million mark. This represents growth for the year of $6.337 million. This result is due to having a solid customer base that believes is what our bank is doing for the community.

As a result we were able to make community contributions of over $270,000 through our major sponsorships and sponsorships programs, making our total community contributions since branch opening of $1.4 million. These funds were once again distributed to varying community groups such as the playgroup, theatre groups, sports clubs and environment groups. We aim to distribute the funds to a variety of groups so the broad community can gain a benefit from having a local **Community Bank®** branch. Our aim is to support the community that supports our bank. It is that simple, the more people who do business with us the more community contributions we can make.

Our customers numbered 3,118 as at 30 June 2011. The products per customer is currently at 1.986; this is an important figure as it shows how much banking our customers are doing with us. 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®** 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.

The next 12 months will no doubt present us with new challenges in our business as the economy changes, but we have a strong structure and a sound partnership with Bendigo and Adelaide Bank Ltd that puts us in a solid position to face the next 12 months and beyond with confidence.

I would like to thank all our customers for their continued support, and would welcome any new people who are considering the move to us to come in and see us and see what we can offer. We are a bank with a difference, and by supporting us you are supporting your community.

To Lisa, Ros, Tanya and Kate you all do an outstanding job which I appreciate and I know our customers appreciate. To our Yarra Junction branch staff I thank you also for your work and assistance through the year. Also thanks to the Board of Upper Yarra Community Enterprise Ltd for their support of myself and the branch staff.

We look forward to a successful 2011/2012.

Darren Pennington
Manager

Yarra Junction Manager's report

For year ending 30 June 2011

The Yarra Junction District **Community Bank®** Branch has now completed its third full year of trading. As at the end of the financial year we had just over 2,500 accounts held and business totaling $38.3 million. This represented growth of around $5.8 million. Further support of the branch is required if it is going to achieve what the steering committee and Board of Directors had hoped when this venture was launched. To those shareholders who are yet to open an account with us I invite you to call into the branch and talk to myself or the staff. To those shareholders who have supported the branch I thank you for your support.

One of our points of difference as a bank is our extended opening hours, particularly Saturday mornings. Due to this the usage of the branch remains strong. We are completing around 3,000 in branch transactions and our ATM is being used around 7,000 times per month.

As a Company we have a fantastic record of returning funds to the community. The last year has seen many groups benefit. These contributions are not only great for the groups, they also help create awareness of the branch. One of my personal favorites is the support we have shown to driver education of our young people. We are involved in two programs that aim to educate our learner drivers before they hit the road on their own. One is an intense five day training course that we heavily subsidise making it possible for most people to be able to afford to send their kids on this course. The other way we are involved is through our support of the Shire of Yarra Ranges L2P program. In this program learner drivers are matched with fully licensed community volunteers who have undertaken a selection and training process to become supervising drivers. Using a sponsored vehicle the learner and their mentor go out driving once a week, working towards 120 hours of driving practice. Both of these programs have the ability to save lives which is the best outcome we could hope for.

We have had a few staff changes over the last 12 months. We have welcomed Emily Sharp back to the branch after her maternity leave. Karen Rollason also commenced her maternity leave and we hope to welcome her back some time this year. Sharon Ritchie has joined our team in a Customer Service role. She has completed her training and has fitted in very well with the rest of the team. My thanks go to all of the staff for their efforts in what has been a very challenging year.

To Mark Nolan and his support staff at Bendigo and Adelaide Bank Ltd I thank you for your support and assistance throughout the year. I would also like to thank Rodney Woods and the Board of Directors for their continued support.

Finally on behalf of the branch team and myself thank you to all of you who continue to support your **Community Bank®** branch.

Adam Whitworth
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

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 L B Marshall (Retired 11 November 2010)
Retired Maintenance Manager

Mr R J Woods
Environmental Consultant

Mrs J D Hall
Retired Shop Proprietor

Mr R McKail (Appointed 22 November 2010)
Governance Manager

Mrs L J McMath Hall
Real Estate Agent

Ms E R Fox
Student Counsellor

Mr J C Child
Retired Business Owner

Mr P A Kimberley
Retired Insurance Broker

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.

Review of operations

During the year the Company paid Donations and Community payments of $291,866 (2010: $190,816). The profit of the Company for the financial year after provision for income tax was $100,652 (2010: $73,140).

	Year ended 30 June 2011	
Dividends	**Cents per share**	**$'000**
Dividends paid in the year:		
- As recommended in the prior year report	4	77,210

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

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 $
Geoffrey Vickers (Company Secretary)				
2011	76,805	3,840	–	80,645
2010	63,831	9,405	–	73,236

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.

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	8 (12)	N/A
Ms E R Fox	8 (12)	N/A
Mr L B Marshall (Retired 11 November 2010)	4 (5)	N/A
Mr R J Woods	10 (12)	N/A
Mrs J D Hall	10 (12)	N/A
Mr J C Child	12 (12)	12 (12)
Mr P A Kimberley	11 (12)	11 (12)
Mr R McKail (Appointed 22 November 2010)	1 (7)	N/A

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.

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;

(d) Monthly Director meetings to discuss performance; and

(e) A yearly Directors meeting to discuss strategic plans.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty

Chartered Accountants

26 September 2011

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 Ltd for the year ended 30 June 2011, 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 26 September 2011

Geoffrey M Vickers

Director/ Company Secretary

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenues from continuing operations	2	1,598,335	1,377,753
Employee benefits expense	3	(737,766)	(625,534)
Depreciation and amortisation expense	3	(76,288)	(94,019)
Finance costs	3	(3,375)	(6,395)
Charitable donations and sponsorship		(291,866)	(190,816)
Other expenses		(360,089)	(344,441)
Profit before income tax		**128,951**	**116,548**
Income tax expense	4	28,299	43,408
Profit after income tax expense		**100,652**	**73,140**
Other comprehensive income		-	-
Total comprehensive income		**100,652**	**73,140**
Earnings per share (cents per share)			
- basic for profit for the year	23	5.21	3.79
- diluted for profit for the year	23	5.21	3.79

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	298,987	362,352
Investments	7	400,863	382,177
Receivables	8	151,239	139,109
Total current assets		**851,089**	**883,638**
Non-current assets			
Property, plant and equipment	9	806,248	858,138
Intangible assets	10	34,712	54,695
Total non-current assets		**840,960**	**912,833**
Total assets		**1,692,049**	**1,796,471**
Current liabilities			
Payables	11	71,499	52,450
Current tax liability	4	37,415	29,789
Loans and borrowings	12	85	59,488
Provisions	13	107,477	82,561
Total current liabilities		**216,476**	**224,288**
Non-current liabilities			
Loans and borrowings	12	-	120,052
Total non-current liabilities		**-**	**120,052**
Total liabilities		**216,476**	**344,340**
Net assets		**1,475,573**	**1,452,131**
Equity			
Share capital	14	1,113,506	1,113,506
Retained earnings	15	362,067	338,625
Total equity		**1,475,573**	**1,452,131**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,694,385	1,476,882
Cash payments in the course of operations		(1,489,074)	(1,301,420)
Interest received		16,452	6,798
Dividends and distributions received		18,686	12,666
Interest paid		(3,375)	(6,395)
Income tax refunded / (paid)		(20,673)	(8,808)
Net cash flows from operating activities	**16b**	**216,401**	**179,723**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,415)	(150,662)
Payments for intangible assets		-	(11,211)
Purchase of investments		(18,686)	(17,378)
Net cash flows from investing activities		**(23,101)**	**(179,251)**
Cash flows from financing activities			
Repayment of borrowings		(179,455)	-
Proceeds from borrowings		-	83,151
Dividends paid		(77,210)	(57,907)
Net cash flows from financing activities		**(256,665)**	**25,244**
Net increase / (decrease) in cash held		**(63,365)**	**25,716**
Cash and cash equivalents at start of year		362,352	336,636
Cash and cash equivalents at end of year	**16a**	**298,987**	**362,352**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		1,113,506	1,113,506
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**1,113,506**	**1,113,506**
Retained earnings			
Balance at start of year		338,625	323,392
Profit after income tax expense		100,652	73,140
Dividends paid	22	(77,210)	(57,907)
Balance at end of year		**362,067**	**338,625**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** 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 26 September 2011.

(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. These changes are not expected to have a materil impacts on the Company's financial statements.

(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 2010 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.

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 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.

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 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.

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.

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.

Notes to the financial statements continued

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

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.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	1,560,663	1,356,388
- other revenue	2,534	1,900
	1,563,197	**1,358,288**
Non operating activities		
- interest received	16,452	6,798
- other revenue	18,686	12,667
	35,138	**19,465**
	1,598,335	**1,377,753**

Note 3. Expenses

	2011 $	2010 $
Employee benefits expense		
- wages and salaries	633,875	556,441
- superannuation costs	62,364	56,649
- workers' compensation costs	1,960	1,858
- other costs	39,567	10,586
	737,766	**625,534**

	2011 $	2010 $

Note 3. Expenses (continued)

	2011 $	2010 $
Depreciation of non-current assets:		
- plant and equipment	35,678	23,875
- write down of assets scrapped	-	28,250
- buildings	20,627	22,006
Amortisation of non-current assets:		
- intangibles	19,983	19,888
	76,288	**94,019**
Finance costs:		
- interest paid	3,375	6,395
Bad debts	2,603	626

Note 4. Income tax expense

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

	2011 $	2010 $
Prima facie tax on profit before income tax at 30%	38,685	34,964
Add tax effect of:		
- Non-deductible expenses	15,302	10,709
- Imputation credits	(2,483)	(1,646)
Current income tax expense	**51,504**	**44,027**
Over provision of tax in prior year	23,205	619
Income tax expense	**28,299**	**43,408**
Tax liabilities		
Current tax liability	**(37,415)**	**(29,789)**

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	**3,900**	**3,900**

Notes to the financial statements continued

	2011 $	2010 $

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**298,987**	**362,352**

Note 7. Investments

	2011 $	2010 $
Listed shares at cost	121,082	115,288
Managed investment	279,781	266,889
	400,863	**382,177**

Note 8. Receivables

	2011 $	2010 $
Commission receivable	144,899	134,009
Sundry debtors & prepayments	6,340	5,100
	151,239	**139,109**

Note 9. Property, plant and equipment

	2011 $	2010 $
Plant and equipment		
At cost	131,165	127,750
Less accumulated depreciation	(56,994)	(39,032)
	74,171	**88,718**
Furniture and fittings		
At cost	139,857	138,857
Less accumulated depreciation	(32,844)	(15,128)
	107,013	**123,729**
Land		
At cost	200,000	200,000
	200,000	**200,000**
Buildings & leasehold improvements		
At cost	515,041	515,041
Less accumulated depreciation	(89,977)	(69,350)
	425,064	**445,691**
Total written down amount	**806,248**	**858,138**

	2011 $	2010 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2011 $	2010 $
Plant and equipment		
Carrying amount at beginning of year	88,718	76,506
Additions	3,415	44,048
Disposals	-	(17,354)
Depreciation expense	(17,962)	(14,482)
Carrying amount at end of year	**74,171**	**88,718**
Furniture and fittings		
Carrying amount at beginning of year	123,729	37,404
Additions	1,000	106,614
Disposals	-	(10,896)
Depreciation expense	(17,716)	(9,393)
Carrying amount at end of year	**107,013**	**123,729**
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	445,691	467,697
Additions	-	-
Depreciation expense	(20,627)	(22,006)
Carrying amount at end of year	**425,064**	**445,691**

Note 10. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	91,211	91,211
Less accumulated amortisation	(59,176)	(40,934)
	32,035	**50,277**

	2011 $	2010 $
Note 10. Intangible Assets (continued)		
Preliminary expenses		
At cost	9,435	9,435
Less accumulated amortisation	(6,758)	(5,017)
	2,677	**4,418**
	34,712	**54,695**

Note 11. Payables

Trade creditors	**71,499**	**52,450**

Note 12. Loans and borrowings

Current		
Secured loans		
- Land & buildings	**85**	**59,488**
Non-Current		
Secured loans		
- Land & buildings	**-**	**120,052**

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 8.49% (2010: 7.2%).

Note 13. Provisions

Employee benefits	**107,477**	**82,561**
Movement in employee benefits		
Opening balance	82,561	71,975
Additional provisions recognised	48,543	42,613
Amounts utilised during the year	(23,627)	(32,027)
Closing balance	**107,477**	**82,561**

	2011 $	2010 $

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)
	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

Balance at the beginning of the financial year	338,625	323,392
Profit after income tax	100,652	73,140
Dividends	(77,210)	(57,907)
Balance at the end of the financial year	**362,067**	**338,625**

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**298,987**	**362,352**

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

Profit after income tax	100,652	73,140
Non cash items		
- Depreciation	56,305	45,881
- Amortisation	19,983	19,888
- Net loss on assets scrapped	-	28,250

Notes to the financial statements continued

	2011 $	2010 $

Note 16. Statement of cash flows (continued)

Changes in assets and liabilities

	2011 $	2010 $
- (Increase) decrease in receivables	(12,130)	(17,225)
- (Increase) decrease in tax refundable	-	4,811
- (Increase) decrease in current tax liability	7,626	29,789
- Increase (decrease) in payables	19,049	(15,397)
- Increase (decrease) in provisions	24,916	10,586
Net cash flows from / (used in) operating activities	**216,401**	**179,723**

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

Ms E R Fox

Mr L B Marshall (Retired 11 November 2010)

Mr R J Woods

Mr J C Child

Mrs J D Hall

Mr P A Kimberley

Mr R McKail (Appointed 22 November 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.

Directors' shareholdings	**2011**	**2010**
Mr G M Vickers	2,000	2,000
Mrs L J McMath Hall	5,000	5,000
Ms E R Fox	-	-
Mr L B Marshall (Retired 11 November 2010)	-	-
Mr R J Woods	1,000	1,000
Mr J C Child	-	-
Mrs J D Hall	30,000	30,000
Mr P A Kimberley	15,000	15,000
Mr R McKail (Appointed 22 November 2010)	1,000	1,000

Note 17. Director and related party disclosures (continued)

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 $
Geoffrey Vickers (Company Secretary)				
2011	76,805	3,840	–	80,645
2010	63,831	9,405	–	73,236

Note 18. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent liabilities and assets

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

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

	2011 $	2010 $

Note 22. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 4 cents per share (2010: 3 cents franked per share)	**77,210**	**57,907**
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	223,721	233,655
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	37,415	29,789
	261,136	**263,444**

The tax rate at which dividends have been franked is 30% (2010: 30%). Dividends proposed will be franked at a rate of 30% (2010: 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:

	2011 $	2010 $
Profit after income tax expense	**100,652**	**73,140**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,930,250**	**1,930,250**

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	
	2011	**2010**
	$	**$**
Cash assets	298,987	362,352
Investments	400,863	382,177
Receivables	151,239	139,109
	851,089	**883,638**

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 (2010: 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.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	71,499	(71,499)	(71,499)	–	–
Loans and borrowings	85	(85)	(85)	–	–
	71,584	**(71,584)**	**(71,584)**	**–**	**–**
30 June 2010					
Payables	52,450	(52,450)	(52,450)	–	–
Loans and borrowings	179,540	(204,274)	(59,488)	(144,786)	–
	231,990	**(256,724)**	**(111,938)**	**(144,786)**	**–**

(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 2011 $	Carrying amount 2010 $
Fixed rate instruments		
Financial assets	51,397	211,971
Financial liabilities	(85)	(179,540)
	51,312	**32,431**
Variable rate instruments		
Financial assets	247,590	150,381
Financial liabilities	-	-
	247,590	**150,381**

Note 24. Financial risk management (continued)

(c) Market risk (continued)

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 2010 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 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 2011 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

In accordance with a resolution of the Directors of Upper Yarra Community Enterprise Ltd, 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 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 26 September 2011.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
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 2011 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

W. J. SINNOTT
Partner
Bendigo

Date: 26 September 2011



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(BMPAR11031) (07/11)