Warburton **Community Bank®** Branch
Yarra Junction & District **Community Bank®** Branch

annual report 2012

Upper Yarra
Community Enterprise Limited

ABN 54 090 252 627

Contents

Chairman's report

For year ended 30 June 2012

Another year has passed for the Upper Yarra Community Enterprise Limited and I can report that all is well and good.

Community groups, schools, play groups, sporting clubs and the arts have all enjoyed our support this past financial year with approx $380,000 given out over the past 12 months.

In reading both Managers' reports you will see both branches have grown very nicely and continued support to our community will be ongoing with the great support of our customers.

We thank our partners in Bendigo and Adelaide Bank for making the **Community Bank®** network possible, firstly restoring banking back to our community all those years ago and now with the support we can offer our community with the profits that we are generating.

I would like to thank Executive Officer Geoff Vickers and, Community Development Worker Suyin Chan. You both have really brought the community together with some great projects and initiatives, The Water Wheel Lease, the exciting Hydro Project, Women of Interest, Open Forums and the very popular Photographic and Calendar Competition to name just few.

One of my favourite projects that we help fund in partnership with the Yarra Rangers Shire is the L to P Learner driver programme, one of our Directors Jim Child is a mentor and I urge anybody with a bit of time up their sleeve to find out more about it and volunteer some time to this much needed cause.

I would like to thank Bendigo Bank Regional Manager Mark Nolan for his support and guidance through another year, I don't think we give Mark too many hassles and we have a great rapport with our partners in Bendigo and it's a very healthy relationship.

Alison Burr who was our Area Manager has gone back to Adelaide to live and work. We thank Allison for the many years dealing with Warburton and Yarra Junction and districts staff and our Board, Allison was always a delight to work with and is our loss and Adelaide's gain.

In closing none of this would be possible if it wasn't for our staff. Adam and Darren once again you and your staff have worked hard for your bank and community, we cannot thank you enough for your hard and loyal work.

And to my Board of Directors, thank you... It's hard work at times, we are all volunteers but we have fun and we enjoy the pleasure it brings our community.

The most important people are our shareholder and customers, without you guys we don't have **Community Bank®** branches to manage or sponsorships to give, so the more support we get, the more support our community receives.

As a Board we will keep telling our story and keep working for our community.

Regards

Rodney Woods
Chairman

Warburton Manager's report

For year ended 30 June 2012

Another financial year is over and at Warburton **Community Bank®** Branch we have had another solid year's performance. As at 30 June 2012 our total book balance was $106.8 million, well over the $100 million that we were just short of last year. This represents growth for the year of $7.3 million. Another excellent 12 months result for our **Community Bank®** branch.

As a result, we were able to once again make significant community contributions through our sponsorship programs, making our total community contributions since branch opening of $1.7 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 branch. It is that simple, the more people who do business with us the more community contributions we can make.

Our customers numbered 3,104 as at 30 June 2012. The products per customer is currently at 2.001; 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 have processed 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 number every year. With 95% of transactions now being done by electronic banking avenues we haven't seen a decline in our branch transaction numbers which shows our customers still value the over-the-counter service we offer.

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 and a highly committed local Board of Directors who are passionate about ensuring our branch continues to assist the community with quality outcomes. With this continuing working relationship, we are well placed for the year ahead and beyond.

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 **Community Bank®** branch 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 Limited for their support of myself and the branch staff.

We look forward to a successful 2012/13.

Darren Pennington
Manager

Yarra Junction Manager's report

For year ended 30 June 2012

Yarra Junction & District **Community Bank®** Branch has now completed its fourth full year of trading. The 2011/12 year proved to be a challenging yet rewarding year for the branch. We achieved growth of around $7.6 million in business. This was a pleasing result given our growth was up on the previous two years and the economic environment we are operating in. As at the end of the financial year we had almost 2,900 accounts held and business totaling $46 million.

One of our points of difference as a **Community Bank®** branch 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.

We have had a few staff changes over the last 12 months. We have welcomed back Karen Carney from maternity leave after the birth of her daughter and Penni Edmonds departed for a position at a neighbouring branch. My thanks go to the staff for their efforts in what has been a very challenging year.

To those shareholders who are customers thank you for your support. To those of you who are not I welcome you to call into the branch and meet with me to discuss the benefits of banking with your local **Community Bank®** branch.

Finally, to Mark Nolan and his support staff at Bendigo and Adelaide Bank, 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 and commitment to making a difference in our community.

Adam Whitworth
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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
Board member since October 1999

Mr R J Woods
Environmental Consultant
Board member since March 2006

Mr J C Child
Retired Business Owner
Board member since September 2009

Mr P A Kimberley
Retired Insurance Broker
Board member since April 2010

Mrs M Burke (Appointed 19/12/2011)
Training Consultant
Board member since December 2011

Mr M G Rogers (Resigned 19/03/2012)
Community Development Worker
Board member since October 2011

Ms E R Fox
Student Counsellor
Board member since March 2006

Mrs J D Hall
Retired Business Owner
Board member since September 2007

Mrs L J McMath Hall (Resigned 16/11/2011)
Real Estate Agent
Board member since November 2009

Mr R McKail
Retired Governance Manager
Board member since November 2010

Mrs S A Forbes (Appointed 18/01/2012)
Social Worker
Board member since January 2012

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.

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

Review of operations

During the year the company paid Donations and Community payments of $369,454 (2011: $291,866).

The profit of the company for the financial year after provision for income tax was $107,833 (2011: $100,652).

Dividends	Year ended 30 June 2012	
	Cents per share	Total $
Dividends paid in the year:		
- As recommended in the prior year report	5	96,513

Financial position

The net assets of the company have increased by $11,320 from June 30, 2011 to $1,486,893 in 2012.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration report

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)				
2012	76,756	4,039	–	80,795
2011	76,805	3,840	–	80,795

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.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officer's 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.

Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Mr G M Vickers	12 (12)	10 (10)
Ms E R Fox	9 (12)	N/A
Mr R J Woods	9 (12)	N/A
Mrs J D Hall	9 (12)	N/A
Mr J C Child	12 (12)	10 (10)
Mrs L J McMath Hall (Resigned 16/11/2011)	1 (5)	N/A
Mr P A Kimberley	11 (12)	8 (10)
Mr R McKail	7 (12)	6 (7)
Mrs M Burke (Appointed 19/12/2011)	4 (6)	N/A
Mrs S A Forbes (Appointed 18/01/2012)	4 (5)	
Mr M G Rogers (Resigned 19/03/2012)	5 (6)	00

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.

Directors' report (continued)

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, P Kimberley and R McKail;

(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 strategic plans; and

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Warburton, Victoria on 24 September 2012.

Rodney J Woods
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Upper Yarra Community Enterprise Ltd
3999 Warburton Highway
WARBURTON VIC 3799

To the Directors of Upper Yarra Community Enterprise Ltd

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

Warren Sinnott
Partner
Dated at Bendigo, 17 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenues from continuing operations	2	1,745,271	1,598,335
Employee benefits expense	3	(753,887)	(737,766)
Depreciation and amortisation expense	3	(68,895)	(76,288)
Finance costs	3	(144)	(3,375)
Other expenses		(389,007)	(360,089)
Operating profit/(loss) before charitable donations & sponsorships		**533,338**	**420,817**
Charitable donations and sponsorship		(369,454)	(291,866)
Profit before income tax		**163,884**	**128,951**
Income tax expense	4	56,051	28,299
Profit after income tax expense		**107,833**	**100,652**
Other comprehensive income		-	-
Total comprehensive income		**107,833**	**100,652**
Earnings per share (cents per share)			
- basic for profit for the year	23	5.59	5.21
- diluted for profit for the year	23	5.59	5.21

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	276,912	298,987
Investments	7	458,222	400,863
Receivables	8	190,468	151,239
Total current assets		**925,602**	**851,089**
Non-current assets			
Property, plant and equipment	9	758,645	806,248
Intangible assets	10	14,781	34,712
Total non-current assets		**773,426**	**840,960**
Total assets		**1,699,028**	**1,692,049**
Liabilities			
Current liabilities			
Payables	11	78,872	71,499
Current tax liability	4	17,320	37,415
Loans and borrowings	12	217	85
Provisions	13	115,726	107,477
Total current liabilities		**212,135**	**216,476**
Non-current liabilities			
Loans and borrowings	12	-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**212,135**	**216,476**
Net assets		**1,486,893**	**1,475,573**
Equity			
Issued capital	14	1,113,506	1,113,506
Retained earnings	15	373,387	362,067
Total equity		**1,486,893**	**1,475,573**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,839,149	1,694,385
Cash payments in the course of operations		(1,667,631)	(1,489,074)
Interest received		11,406	16,452
Dividends and distributions received		26,248	18,686
Interest paid		-	(3,375)
Income tax refunded / (paid)		(76,146)	(20,673)
Net cash flows from operating activities	**16b**	**133,026**	**216,401**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,361)	(4,415)
Payments for intangible assets		-	-
Purchase of investments		(57,359)	(18,686)
Net cash flows from investing activities		**(58,720)**	**(23,101)**
Cash flows from financing activities			
Repayment of borrowings		-	(179,455)
Proceeds from borrowings		132	-
Dividends paid		(96,513)	(77,210)
Net cash flows from financing activities		**(96,381)**	**(256,665)**
Net increase / (decrease) in cash held		**(22,075)**	**(63,365)**
Cash and cash equivalents at start of year		298,987	362,352
Cash and cash equivalents at end of year	**16a**	**276,912**	**298,987**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		362,067	338,625
Profit after income tax expense		107,833	100,652
Dividends paid	22	(96,513)	(77,210)
Balance at end of year		**373,387**	**362,067**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Upper Yarra Community Enterprise Ltd ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 24 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

	2012 $	2011 $
Revenue from continuing activities		
- services commissions	1,707,217	1,560,663
- other revenue	400	2,534
	1,707,617	**1,563,197**
Other revenue		
- interest received	11,406	16,452
- other revenue	26,248	18,686
	37,654	**35,138**
	1,745,271	**1,598,335**

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	644,487	633,875
- superannuation costs	71,532	62,364
- workers' compensation costs	2,119	1,960
- other costs	35,749	39,567
	753,887	**737,766**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	29,561	35,678
- write down of assets scrapped	-	-
- buildings	19,403	20,627
Amortisation of non-current assets:		
- intangible assets	19,931	19,983
	68,895	**76,288**
Finance costs:		
- interest paid	144	3,375
Bad debts	9,399	2,603

Note 4. Income tax expense

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%	49,165	38,685
Add tax effect of:		
- Non-deductible expenses	10,353	15,302
- Imputation Credits	(2,656)	(2,483)
Over provision of tax in prior year	811	23,205
Income tax expense	**56,051**	**28,299**
Tax liabilities		
Current tax liability	**(17,320)**	**(37,415)**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**3,900**	**3,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**276,912**	**298,987**

The effective interest rate on short term bank deposits was 5.4% (2011 - 5.0%)

	2012 $	2011 $

Note 7. Investments

Listed shares at cost	127,279	121,082
Managed investment at cost	299,831	279,781
Hydro Project at cost	31,112	-
	458,222	**400,863**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $81,117 (2011: $89,849). Listed shares are readily saleable with no fixed term. There would be no material capital gain tax payable if these assets were sold at reporting date.

Note 8. Receivables

Commission receivable	166,988	144,899
Sundry debtors & prepayments	3,480	6,340
Unsecured loan to Warburton Information Centre Pty Ltd	20,000	-
	190,468	**151,239**

The loan to Warburton Information Centre Pty Ltd is unsecured and is interest free. The loan is expected to be repaid when this company is in a financial position to do so.

Note 9. Property, plant and equipment

Plant and equipment		
At cost	132,526	131,165
Less accumulated depreciation	(71,447)	(56,994)
	61,079	**74,171**
Furniture and fittings		
At cost	139,857	139,857
Less accumulated depreciation	(47,952)	(32,844)
	91,905	**107,013**
Land		
At cost	200,000	200,000
	200,000	**200,000**

	2012 $	2011 $
Note 9. Property, plant and equipment (continued)		
Buildings & leasehold improvements		
At cost	515,041	515,041
Less accumulated depreciation	(109,380)	(89,977)
	405,661	**425,064**
Total written down amount	**758,645**	**806,248**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	74,171	88,718
Additions	1,361	3,415
Disposals	-	-
Depreciation expense	(14,453)	(17,962)
Carrying amount at end of year	**61,079**	**74,171**
Furniture and fittings		
Carrying amount at beginning of year	107,013	123,729
Additions	-	1,000
Disposals	-	-
Depreciation expense	(15,108)	(17,716)
Carrying amount at end of year	**91,905**	**107,013**
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	425,064	445,691
Additions	-	-
Depreciation expense	(19,403)	(20,627)
Carrying amount at end of year	**405,661**	**425,064**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	91,211	91,211
Less accumulated amortisation	(77,416)	(59,176)
	13,795	**32,035**
Preliminary expenses		
At cost	8,454	9,435
Less accumulated amortisation	(7,468)	(6,758)
	986	**2,677**
	14,781	**34,712**

Note 11. Payables

	2012 $	2011 $
Trade creditors	**78,872**	**71,499**

Note 12. Borrowings

	2012 $	2011 $
Current		
Secured loans		
- Land & buildings	**217**	**85**
Non-Current		
Secured loans		
- Land & buildings	**-**	**-**

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 8.29% (2011: 8.49%).

Note 13. Provisions

	2012 $	2011 $
Employee benefits	**115,726**	**107,477**
Movement in employee benefits		
Opening balance	107,477	82,561
Additional provisions recognised	26,484	48,543
Amounts utilised during the year	(18,235)	(23,627)
Closing balance	**115,726**	**107,477**

Notes to the financial statements (continued)

	2012 $	2011 $

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	362,067	338,625
Profit after income tax	107,833	100,652
Dividends	(96,513)	(77,210)
Balance at the end of the financial year	**373,387**	**362,067**

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**276,912**	**298,987**
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	107,833	100,652
Non cash items		
- Depreciation	48,964	56,305
- Amortisation	19,931	19,983
- Net loss on assets scrapped	-	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(39,229)	(12,130)
- (Increase) decrease in tax refundable	-	-
- (Increase) decrease in current tax liability	(20,095)	7,626
- Increase (decrease) in payables	7,373	19,049
- Increase (decrease) in provisions	8,249	24,916
Net cash flows from / (used in) operating activities	**133,026**	**216,401**

Note 17. Director and related party disclosures

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

Mr G M Vickers
Ms E R Fox
Mr R J Woods
Mrs J D Hall
Mr J C Child
Mrs L J McMath Hall (Resigned 16/11/2011)
Mr P A Kimberley
Mr R McKail
Mrs M Burke (Appointed 19/12/2011)
Mrs S A Forbes (Appointed 18/01/2012)
Mr M G Rogers (Resigned 19/03/2012)

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

Directors' shareholdings	**2012**	**2011**
Mr G M Vickers	2,000	2,000
Ms E R Fox	-	-
Mr R J Woods	1,000	1,000
Mrs J D Hall	30,000	30,000
Mr J C Child	-	-
Mrs L J McMath Hall (Resigned 16/11/2011)	5,000	5,000
Mr P A Kimberley	15,000	15,000
Mr R McKail	1,000	1,000
Mrs M Burke (Appointed 19/12/2011)	-	-
Mrs S A Forbes (Appointed 18/01/2012)	-	-
Mr M G Rogers (Resigned 19/03/2012)	-	-

There was no movement in Directors' shareholdings during the year. All shares have a paid up value of $1 and are fully paid.

Note 17. Director and related party disclosures (continued)

Executive remuneration

	Primary benefits salary & fees $	Post employment superannuation $	Other $	Total $
Geoffrey Vickers (Company Secretary)				
2012	76,756	4,039	–	80,795
2011	76,805	3,840	–	80,645

Note 18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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 the financial 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Warburton, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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

Note 22. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 5 cents per share (2011: 4 cents franked per share)	**96,513**	**77,210**
(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	261,160	223,721
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	17,320	37,415
	278,480	**261,136**

The tax rate at which dividends have been franked is 30% (2011: 30%). Dividends proposed will be franked at a rate of 30% (2011: 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:

	2012 $	2011 $
Profit after income tax expense	**107,833**	**100,652**
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's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	276,912	298,987
Receivables	8	190,468	151,239
Investments	7	458,222	400,863
Total financial assets		**925,602**	**851,089**
Financial liabilities			
Payables	11	78,872	71,499
Total financial liabilities		**78,872**	**71,499**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

The maximum exposure to credit risk at 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	
	2012 $	2011 $
Cash and cash equivalents	276,912	298,987
Receivables	190,468	151,239
Investments	458,222	400,863
	925,602	**851,089**

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.

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(78,872)	(78,872)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(78,872)**	**(78,872)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	276,912	276,912		
Receivables	190,468	190,468	–	–
Investments	458,222	458,222	–	–
Total anticipated inflows	**925,602**	**925,602**	**–**	**–**
Net (outflow)/inflow on financial instruments	**846,730**	**846,730**	**–**	**–**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(71,499)	(71,499)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(71,499)**	**(71,499)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	298,987	298,987		
Receivables	151,239	151,239	–	–
Investments	400,863	400,863	–	–
Total anticipated inflows	**851,089**	**851,089**	**–**	**–**
Net (outflow)/inflow on financial instruments	**779,590**	**779,590**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	 2011 $
Fixed rate instruments		
Financial assets	106,105	51,397
Financial liabilities	(217)	(85)
	105,888	**51,312**

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount 2012 $	Carrying amount 2011 $
Floating rate instruments		
Financial assets	170,706	247,590
Financial liabilities	-	-
	170,706	**247,590**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities are presented in the table below and can be compared to their carrying amounts as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market with more reliable information available from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid prices. The company does not have any unrecognised financial instruments at year end.

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	Note	2012		2011	
		Carrying Amount $	**Fair Value $**	**Carrying Amount $**	**Fair Value $**
Financial assets					
Cash & cash equivalents	(1)	276,912	276,912	298,987	298,987
Receivables	(1)	190,468	190,468	151,239	151,239
Investments	(2)	458,222	427,646	400,863	365,626
Total financial assets		**925,602**	**895,026**	**851,089**	**815,852**
Financial liabilities					
Payables	(1)	78,872	78,872	71,499	71,499
Total financial liabilities		**78,872**	**78,872**	**71,499**	**71,499**

The fair values disclosed above have been determined based on the following methodologies:

(1) Cash and cash equivalents, receivables and payables are short term instruments in nature whose carrying amount is equivalent to fair value. Payables exclude amounts provided for employee entitlements which is outside the scope of AASB 139.

(2) Fair values of investments are based on closing quoted bid prices at the end of the reporting period. The Directors have no intention of selling this investment in the future. Consequently such investments are recognised at cost in the Statement of Financial Position.

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%.

Note 24. Financial risk management (continued)

(d) Price risk (continued)

<u>Capital management (continued)</u>

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 2012 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, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 32 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Rodney J Woods
Director

Signed at Warburton, Victoria on 24 September 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF UPPER YARRA COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Upper Yarra Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Upper Yarra Community Enterprise Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner

Dated at Bendigo, 17th September 2012

Warburton **Community Bank**® Branch
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Phone: (03) 5966 2122

Yarra Junction & District **Community Bank**® Branch
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ABN: 54 090 252 627
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www.bendigobank.com.au

Bendigo Bank

(BMPAR12077) (09/12)