Upper Yarra
Community Enterprise Limited
ABN 54 090 252 627

ANNUAL REPORT 2013

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

Contents

Chairman's report

For year ending 30 June 2013

I am both pleased and proud to present our Annual Report for the year ended 30 June 2013.

I succeeded Rodney Woods as Chairman last October. Rodney served two productive years in the role, and I am pleased he has confirmed his commitment to the **Community Bank®** company by continuing to serve as a Director.

This has been our 13th year of trading since February 2000 when 312 shareholders joined together to create the Warburton **Community Bank®** Branch.

More than 300 of those shareholders are still with us, with an additional 268 shareholders joining us in 2007 to establish our Yarra Junction & District **Community Bank®** Branch.

Shareholder support was vital in our early years, and their ongoing support – together with our customers – underwrites our current success.

Our company – your company – continues to set records every year. We passed a significant milestone in June when we reached $2 million in sponsorship in support of our community. On current indications, we will reach $2 million returned to our community in 2015.

Our sponsorships and donations are diverse in their nature and our community support takes many forms. We supported more than 60 different groups and organisations with sponsorship during the year, and we are also especially proud of two recent initiatives of our own.

In July 2011, we appointed Suyin Chan to the role of Community Development Worker. Her focus is to proactively and reactively assist local groups and local initiatives to develop and take hold. Suyin's first full year in the role has exceeded our expectations.

We are also providing the necessary financial support for the re-establishment of the Warburton Visitor Information Centre – The Waterwheel – allowing a dedicated band of volunteers to bring this important town asset back to life.

The **Community Bank®** branches which serve our community so well will only be fully understood if we communicate all their features as widely and consistently as possible – to all our audiences and using all appropriate media.

We have therefore formed a Board Communications Committee and contracted Lindy Schneider to assist in the development and execution of a Communications Strategy. Our relaunched Newsletter 'Local Life' has been mailed to shareholders and distributed to almost 6,000 community members. This is just the first step. A more comprehensive and consistent public relations campaign and a new website are two of many initiatives that will follow.

In all we have had a busy and successful year and there is more in store for the year ahead.

None of what we achieve would be possible without the dedicated efforts of our Branch Managers and their staff, our Executive Officer (and Director) Geoff Vickers, and my fellow volunteer Directors who all make a contribution to the end result.

I would like to pay special tribute to three Directors who resigned after the end of the financial year. Firstly to Maxine Burke, who was unable to continue due to personal committments. And also to Jim Child and Rodney McKail – a past Chairman – whose lengthy service to the company as Directors has been outstanding. Both Jim and Rodney's resignations have been cited as necessary to avoid a potential conflict of interest with their Shire responsibilities.

Chairman's report (continued)

As I write, the search to replace these departing Directors is on in earnest, and I hope to nominate at least two new Directors for election at the Annual General Meeting.

The Board has decided to pay a dividend of 6.5 cents per share, an increase of 1 cent over last year. The dividend will be fully franked and payable on 8 October 2013.

In closing, I thank everyone for all that they have done – and continue to do – in working to enrich our community.

Peter Kimberley
Chairman

Warburton Manager's report

For year ending 30 June 2013

Another financial year is over and at Warburton **Community Bank®** Branch, we have had another solid year's performance. As at 30 June 2013, our total book balance was $113.1 million. This represents growth for the year of $6.4 million – another excellent 12 months result for our **Community Bank®** branch.

Over $2 million has been provided back to the community since our branch opened in 2000. This is an outstanding amount of money contributed to our community. These funds were distributed to varying community groups such as playgroups, theatre groups, sports clubs and environment groups. The **Community Bank®** concept overall has now provided in excess of $100 million back to their communities, evidence that communities are benefiting all over Australia Bendigo Bank's **Community Bank®** model. We aim to distribute the funds to a variety of groups so the broader 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 do business with us, the more community contributions we can make.

Our customers numbered 3,044 at 30 June 2013. The product per customer ratio is currently at 2.023; 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 processed approximately 3,000 over-the-counter transactions per month, and the ATM processed approximately 7,000 transactions per month.

As I say every year, the coming year will present more challenges with the ever-changing economy, but we have a strong structure and a sound partnership with Bendigo and Adelaide Bank Limited, and a highly committed local Board of Directors that strive to keep the business strong in terms of both business growth and compliance.

I would like to thank all our customers for their continued support and welcome any new people who are considering the move to us to come in 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 also. Also, on behalf of the Warburton **Community Bank®** Branch staff, I personally would like to thank the Board of the Upper Yarra Community Enterprise Limited for their support.

We look forward to a successful 2013/14.

Darren Pennington
Manager

Yarra Junction Manager's report

For year ending 30 June 2013

The Yarra Junction & District **Community Bank®** Branch has now completed its fifth full year of trading. I am pleased to report the branch has achieved some excellent results for the last year. We achieved growth of approximately $8 million in business, well ahead of our budgeted growth of $7 million. At the end of the financial year, we held more than 3,000 accounts and had business totaling $54.3 million.

As a **Community Bank®** branch, one of our points of difference is our extended opening hours particularly Saturday mornings, and usage of the branch remains strong. We are completing approximately 3,000 branch transactions per month, and our ATM is being used approximately 7,000 times per month.

Our company achieved a significant milestone during the year. We have now returned more than $2 million in sponsorship funding to the Upper Yarra community. This is a wonderful achievement that has only been made possible by our shareholders, who got behind the **Community Bank®** concept initially, and our customers who support the branches. It is amazing what can be achieved just by doing your banking.

I would like to thank the branch staff for their efforts over the last 12 months. During the year, we welcomed back one of our original staff members Carla Nobes. Carla spent a good part of the last year travelling the world. Both our staff and our customers were delighted to have Carla return to the branch.

To those shareholders who are customers, thank you for your support. To those of you who are yet to open accounts with us, 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 Peter Kimberley and the Board of Directors for their continued support and commitment to making a difference in our community.

Adam Whitworth
Branch Manager

Financial highlights

For year ending 30 June 2013

Financial Highlights for Year to 30 June 2013

- Operating Revenue from all sources increased by 11.0% to $1.937 million
- Operating Profit before tax increased by 22.3% to $652,000
- Community Sponsorships increased by 28.0% to $473,000
- Salaries and employee benefits increased by 10.1% to $830,000, reflecting our continuing significance as a local employer
- All other operating expenses decreased by 0.8% to $454,600
- Fully-franked Dividend payments increased by 10.0% to $106,000, exceeding $100,000 for the first time
- Total assets increased by 7.5% to $1.826 million
- Shareholders' equity increased by 0.7% to $1.498 million, or 78 cents per share.

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Mr R J Woods Board member since March 2006 Chairman		Rodney is currently the President of Warburton- Millgrove F C and is an owner - operator of two business' employing 15 local people.
Mr G M Vickers Board member since October 1999 Company Secretary	Cert III Financial Services Cert IV Community Services Cert IV Training & Assessmt	Geoff was a member of the Steering Committee and is currently employed as Executive Officer. He previously operated his own business in Horticultural Crop Protection for 15 years.
Ms E R Fox Board member since March 2006 Director	Master of Teacher in Special Education	Elizabeth is currently cordinating the Education Support Department at Tintern Girls Grammar,she previously worked at Upper Yarra Secondary College for 18 years. Elizabeth has been involved in various local volunteer groups.
Mrs J D Hall Board member since September 2007 Director		Jaqui was a member of the Steering Committee and previously operated her own business in Yarra Junction. Prior to that she was Bursar/Administrator at Warburton Primary School.
Mr J C Child Retired 26/7/2013 Board member since September 2009 Director		Jim is currently a Councilor and Mayor of Yarra Ranges Council, and is an owner/operator of a local company, he has had involvement in a number of local community groups.
Mr P Kimberley Board member since April 2010 Director	BSc (Melb) Post Grad qualification from IAFPA	Peter has over 30 years experience in Funds Management & Superannuation. Previously a Director of various property management and consultancy companies.
Mr R McKail Retired 14/8/2013 Board member since November 2010 Director	Municipal Clerks Certificate	Rodney has had 35 years in Local Government and specialises in the area of Governance. He has been involved in many community groups within the Warburton area.

Directors (continued)

Mrs M Burke Retired 5/8/2013 Board member since December 2011 Director		Maxine has a background in community education and currently trains people to become industry trainers. She has had a longstanding involvement with the CFA.
Mrs S Forbes Board member since January 2012 Director	Bachelor of Social Work Cert IV Training & Assessmt	Sarah has worked as a Community Development Officer for Yarra Ranges Council and Community Health Services, specialising in the area of disability.

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 Limited.

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 $473,206 (2012: $369,454). The profit of the company for the financial year after providing for income tax was $116,819 (2012 profit: $107,833), which is a 8.33% increase as compared with the previous year.

The net assets of the company have increased to $1,497,549 (2012: $1,486,893). The increase is largely due to the improved operating performance of the company.

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Dividends paid in the year:		
- As recommended in the prior year report	5.5	106,163

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

The remuneration policy of Upper Yarra Community Enterprises limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective.

The Board's policy is to remunerate Directors at market rates for time, commitment and responsibilities. There is no relationship between the remuneration policy and the company performance. The policy is developed by the Board and reviewed annually.

Remuneration benefits and payments

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)				
2013	90,565	4,154		94,719
2012	76,756	4,039		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.

The Upper Yarra Community Enterprises Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2013.

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 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.

Indemnifying Officers or Auditor (continued)

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 held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings#	Audit committee meetings#
Mr R J Woods	7 (12)	N/A
Mr G M Vickers	12 (12)	11 (11)
Ms E R Fox	9 (12)	N/A
Mrs J D Hall	8 (12)	N/A
Mr J C Child - Retired 26/7/2013	9 (12)	5 (11)
Mr P Kimberley	11 (12)	9 (11)
Mr R McKail - Retired 14/8/2013	6 (12)	9 (11)
Mrs M Burke - Retired 5/8/2013	4 (12)	N/A
Mrs S Forbes	7 (12)	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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

Company Secretary

Mr G M Vickers has been the Company Secretary of Upper Yarra Community Enterprise Ltd since 2003. He holds qualifications in Hospitality, Horticulture and Community services. He operated his own crop spraying business for 10 years until he sold the business in 2004. Prior to commencing his business he was Operations Manager for Muirfield Plant Protection.

Directors' report (continued)

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Warburton, Victoria on 19 September 2013.

Peter Kimberley
Director/Chairperson

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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19 September 2013

The Directors
Upper Yarra Community Enterprise Limited
3399 Warburton Highway
WARBURTON VIC 3799

Dear Directors

To the Directors of Upper Yarra Community Enterprise Limited

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 2013 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.

W Sinnott

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	1,937,536	1,745,271
Employee benefits expense	3	(830,346)	(753,887)
Depreciation and amortisation expense	3	(65,285)	(68,895)
Finance costs	3	(39)	(144)
Bad and doubtful debts expense	3	(1,772)	(9,399)
Rental expense		(32,719)	(31,570)
Other expenses		(354,798)	(348,038)
Operating profit/(loss) before charitable donations & sponsorships		**652,577**	**533,338**
Charitable donations and sponsorships		(473,206)	(369,454)
Profit/(loss) before income tax expense		**179,371**	**163,884**
Tax expense / (benefit)	4	62,552	56,051
Profit/(loss) for the year		**116,819**	**107,833**
Other comprehensive income		-	-
Total comprehensive income		**116,819**	**107,833**
Profit/(loss) attributable to:			
Members of the company			
Total		**116,819**	**107,833**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	6.05	5.59
- diluted for profit / (loss) for the year	22	6.05	5.59

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	363,280	276,912
Investments	7	484,423	458,222
Trade and other receivables	8	195,325	190,468
Total current assets		**1,043,028**	**925,602**
Non-current assets			
Property, plant and equipment	9	716,269	758,645
Intangible assets	10	67,003	14,781
Total non-current assets		**783,272**	**773,426**
Total assets		**1,826,300**	**1,699,028**
Liabilities			
Current liabilities			
Trade and other payables	11	170,304	78,872
Current tax liability	4	18,925	17,320
Borrowings	12	359	217
Provisions	13	134,806	115,726
Total current liabilities		**324,394**	**212,135**
Non current liabilities			
Provisions	13	4,357	-
Total non current liabilities		**4,357**	**-**
Total liabilities		**328,751**	**212,135**
Net assets / (liabilities)		**1,497,549**	**1,486,893**
Equity			
Issued capital	14	1,113,506	1,113,506
Retained earnings / (accumulated losses)	15	384,043	373,387
Total equity		**1,497,549**	**1,486,893**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		1,113,506	362,067	1,475,573
Total comprehensive income for the year		-	107,833	107,833
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(96,513)	(96,513)
Balance at 30 June 2012		**1,113,506**	**373,387**	**1,486,893**
Balance at 1 July 2012		1,113,506	373,387	1,486,893
Total comprehensive income for the year		-	116,819	116,819
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(106,163)	(106,163)
Balance at 30 June 2013		**1,113,506**	**384,043**	**1,497,549**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		2,091,803	1,839,149
Payments to suppliers and employees		(1,766,782)	(1,667,631)
Dividend revenue received		20,812	26,248
Interest paid		-	-
Interest received		8,835	11,406
Income tax refunded / (paid)		(60,947)	(76,146)
Net cash flows from/(used in) operating activities	**16b**	**293,721**	**133,026**
Cash flows from investing activities			
Purchase of property, plant & equipment		(5,910)	(1,361)
Purchase of investments		(26,201)	(57,359)
Purchase of intangible assets		(69,221)	-
Net cash flows from/(used in) investing activities		**(101,332)**	**(58,720)**
Cash flows from financing activities			
Proceeds from borrowings		142	132
Dividends paid		(106,163)	(96,513)
Net cash flows from/(used in) financing activities		**(106,021)**	**(96,381)**
Net increase/(decrease) in cash held		**86,368**	**(22,075)**
Cash and cash equivalents at start of year		276,912	298,987
Cash and cash equivalents at end of year	**16a**	**363,280**	**276,912**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Upper Yarra Community Enterprises Limited. Upper Yarra Community Enterprises Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 19 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

(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.

Note 1. Summary of significant accounting policies (continued)

(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.

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

Class of asset	Depreciation rate
Plant & Equipment	10-20%

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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits. (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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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 expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

Note 1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(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 or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(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 deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

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.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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 to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 2. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	1,881,414	1,707,217
- other revenue	26,475	400
	1,907,889	**1,707,617**
Other revenue		
- interest received	8,835	11,406
- other revenue	20,812	26,248
	29,647	**37,654**
Total revenue	**1,937,536**	**1,745,271**

	2013 $	2012 $

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	689,980	644,487
- superannuation costs	77,383	71,532
- workers' compensation costs	1,857	2,119
- other costs	61,126	35,749
	830,346	**753,887**
Depreciation of non-current assets:		
- plant and equipment	29,971	29,561
- buildings	18,315	19,403
Amortisation of non-current assets:		
- intangible assets	16,999	19,931
	65,285	**68,895**
Finance costs:		
- Interest paid	39	144
Bad debts	1,772	9,399

Note 4. Tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	53,811	49,165
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	(877)	(811)
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Imputation credits	(2,872)	(2,656)
- Non-deductible expenses	12,490	10,353
Current income tax expense	**62,552**	**56,051**
Income tax attributable to the entity	62,552	56,051
The applicable weighted average effective tax rate is	34.87	34.20
Tax liabilities		
Current tax liability	**18,925**	**17,320**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Notes to the financial statements (continued)

	2013 $	2012 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**4,150**	**3,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**363,280**	**276,912**

Note 7. Investments

Listed shares at cost	133,981	127,279
Managed investment at cost	313,941	299,831
Hydro Project at cost	36,501	31,112
	484,423	**458,222**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $118,182 (2012: $81,117). 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. Trade and other receivables

Commission receivable	171,845	166,988
Sundry debtors & prepayments	3,480	3,480
Unsecured loan to Warburton Information Centre Pty Ltd	20,000	20,000
	195,325	**190,468**

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.

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company. Credit risk (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 8. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Commission receivable	171,845	-	-	-	-	171,845
Debtors & prepayments	3,480	-	-	-	-	3,480
Unsecured loan	20,000	-	-	-	-	20,000
Total	**195,325**	**-**	**-**	**-**	**-**	**195,325**
2012						
Commission receivable	166,988	-	-	-	-	166,988
Debtors & prepayments	3,480	-	-	-	-	3,480
Unsecured loan	20,000	-	-	-	-	20,000
Total	**190,468**	**-**	**-**	**-**	**-**	**190,468**

Note 9. Property, plant and equipment

	2013 $	2012 $
Plant and equipment		
At cost	138,436	132,526
Less accumulated depreciation	(88,550)	(71,447)
	49,886	**61,079**
Furniture and fittings		
At cost	139,857	139,857
Less accumulated depreciation	(60,820)	(47,952)
	79,037	**91,905**
Land		
At cost	200,000	200,000
	200,000	**200,000**

	2013 $	2012 $

Note 9. Property, plant and equipment (continued)

	2013 $	2012 $
Buildings & Leasehold Improvements		
At cost	515,041	515,041
Less accumulated depreciation	(127,695)	(109,380)
	387,346	**405,661**
Total written down amount	**716,269**	**758,645**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	61,079	74,171
Additions	5,910	1,361
Disposals	-	-
Depreciation expense	(17,103)	(14,453)
Balance at the end of the reporting period	**49,886**	**61,079**
Furniture and fittings		
Balance at the beginning of the reporting period	91,905	107,013
Additions	-	-
Disposals	-	-
Depreciation expense	(12,868)	(15,108)
Balance at the end of the reporting period	**79,037**	**91,905**
Land		
Balance at the beginning of the reporting period	200,000	200,000
Additions	-	-
Balance at the end of the reporting period	**200,000**	**200,000**
Buildings & leasehold improvements		
Balance at the beginning of the reporting period	405,661	425,064
Additions	-	-
Disposals	-	-
Depreciation expense	(18,315)	(19,403)
Balance at the end of the reporting period	**387,346**	**405,661**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 10. Intangible assets

Franchise fee		
At cost	80,432	91,211
Less accumulated amortisation	(13,429)	(77,416)
	67,003	**13,795**
Preliminary expenses		
At cost	8,454	8,454
Less accumulated amortisation	(8,454)	(7,468)
	-	**986**
	67,003	**14,781**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	13,795	32,035
Additions	69,220	-
Disposals	-	-
Amortisation expense	(16,012)	(18,240)
Balance at the end of the reporting period	**67,003**	**13,795**
Preliminary expenses		
Balance at the beginning of the reporting period	986	2,677
Additions	-	-
Reversal of preliminary expense	-	(980)
Amortisation expense	(986)	(711)
Balance at the end of the reporting period	**-**	**986**

Note 11. Trade and other payable

Current		
Unsecured liabilities:		
Trade creditors	170,304	78,872
	170,304	**78,872**

	2013 $	2012 $

Note 12. Borrowings

Current		
Secured loans		
- Land & buildings	**359**	**217**

The Land & Buildings loan is secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at a fixed rate of 7.15% (2012: 8.29%).

Note 13. Provisions

Employee benefits	**139,163**	**115,726**
Movement in employee benefits		
Opening balance	115,726	107,477
Additional provisions recognised	30,322	26,484
Amounts utilised during the year	(6,885)	(18,235)
Closing balance	**139,163**	**115,726**
Current		
Annual Leave	69,868	60,682
Long-service leave	64,938	-
	134,806	**60,682**
Non-current		
Long-service leave	**4,357**	**55,044**
Total provisions	**139,163**	**115,726**

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

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.

Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	1,113,506	1,113,506
Shares issued during the year	-	-
At the end of the reporting period	**1,113,506**	**1,113,506**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 14. Share capital (continued)

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $

Note 15. Retained earnings

	2013 $	2012 $
Balance at the beginning of the reporting period	373,387	362,067
Profit after income tax	116,819	107,833
Dividends	(106,163)	(96,513)
Balance at the end of the reporting period	**384,043**	**373,387**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2013 $	2012 $
As per the statement of financial position	363,280	276,912
As per the statement of cash flow	**363,280**	**276,912**

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

	2013 $	2012 $
Profit / (loss) after income tax	116,819	107,833
Non cash items		
- Depreciation	48,286	48,964
- Amortisation	16,999	19,931
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,857)	(39,229)
- (Increase) decrease in current tax liability	1,605	(20,095)
- Increase (decrease) in payables	91,432	7,373
- Increase (decrease) in provisions	23,437	8,249
Net cash flows from/(used in) operating activities	**293,721**	**133,026**

(c) Credit standby arrangement and loan facilities

The company has a commercial bill facility amounting to $111,912 (2012: $132,590). This may be terminated at any time at the option of the bank. At 30 June 2013, $359 of this facility was used (2012: $217) Variable interest rates apply to the bill facilities.

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Executive remuneration

	Primary Benefits Salary & Fees $	Post Employment Superannuation $	Other $	Total $
Geoffrey Vickers (Company Secretary)				
2013	90,565	4,154		94,719
2012	76,756	4,039		80,795

(c) Transactions with key management personnel and related parties (continued)

The Upper Yarra Community Enterprises Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2013.

Note 17. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Upper Yarra Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Mr R J Woods	1,000	1,000
Mr G M Vickers	2,000	2,000
Ms E R Fox	-	-
Mrs J D Hall	30,000	30,000
Mr J C Child - Retired 26/7/2013	-	-
Mr P Kimberley	15,000	15,000
Mr R McKail - Retired 14/8/2013	1,000	1,000
Mrs M Burke - Retired 5/8/2013	-	-
Mrs S Forbes	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

There have been no 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 Limited who account for 100% of the revenue (2012: 100%).

Note 21. Company details

The registered office & principle place of business is: 3399 Warburton Highway, Warburton VIC 3799.

	2013 $	2012 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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:

	2013 $	2012 $
Profit/(loss) after income tax expense	**116,819**	**107,833**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,930,250**	**1,930,250**

Note 23. Dividends paid or provided for on ordinary shares

	2013 $	2012 $
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 5.5 cents per share (2012: 5 cents franked per share)	**106,163**	**96,513**
(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	279,480	261,160
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	18,925	17,320
	298,405	**278,480**

The tax rate at which dividends have been franked is 30% (2012: 30%).

Dividends proposed will be franked at a rate of 30% (2012: 30%).

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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	363,280	276,912
Trade and other receivables	8	195,325	190,468
Investments	7	484,423	458,222
Total financial assets		**1,043,028**	**925,602**
Financial liabilities			
Trade and other payables	11	170,304	78,872
Loans and borrowings	12	359	217
Total financial liabilities		**170,663**	**79,089**

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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**363,280**	**276,912**

(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.

In addition the company has established an overdraft facility of $111,912 with Bendigo and Adelaide Bank Limited. Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	11	170,304	170,304	–	–
Loans and borrowings	12	359	359	–	–
Total expected outflows		**170,663**	**170,663**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	363,280	363,280		
Investments	7	484,423	484,423	–	–
Trade and other receivables	8	195,325	195,325	–	–
Total anticipated inflows		**1,043,028**	**1,043,028**	**–**	**–**
Net (outflow)/inflow financial instruments		**872,365**	**872,365**	**–**	**–**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	11	78,872	78,872	–	–
Loans and borrowings	12	217	217	–	–
Total expected outflows		**79,089**	**79,089**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	276,912	276,912		
Investments	7	458,222	458,222	–	–
Trade and other receivables	8	190,468	190,468	–	–
Total anticipated inflows		**925,602**	**925,602**	**–**	**–**
Net (outflow)/inflow financial instruments		**846,513**	**846,513**	**–**	**–**

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets

	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	2.43%	2.85%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	**Equity $**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	3,629	3,629
	3,629	**3,629**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	2,767	2,767
	2,767	**2,767**

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 approximate the carrying values 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. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Upper Yarra Community Enterprises Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 13 to 37 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 2013 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.

This resolution is made in accordance with a resolution of the Board of Directors.

Peter Kimberley
Director/Chairperson

Signed at Warburton, Victoria on 19 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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INDEPENDENT AUDITOR'S 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 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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.

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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Upper Yarra Community Enterprise Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2013 and of its performance for the year ended on that date; and

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

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

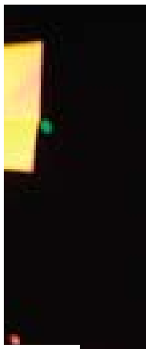
Richmond Sinnott & Delahunty

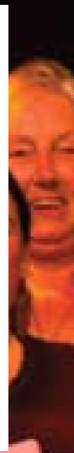
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner

Dated at Bendigo, 19 September 2013





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