

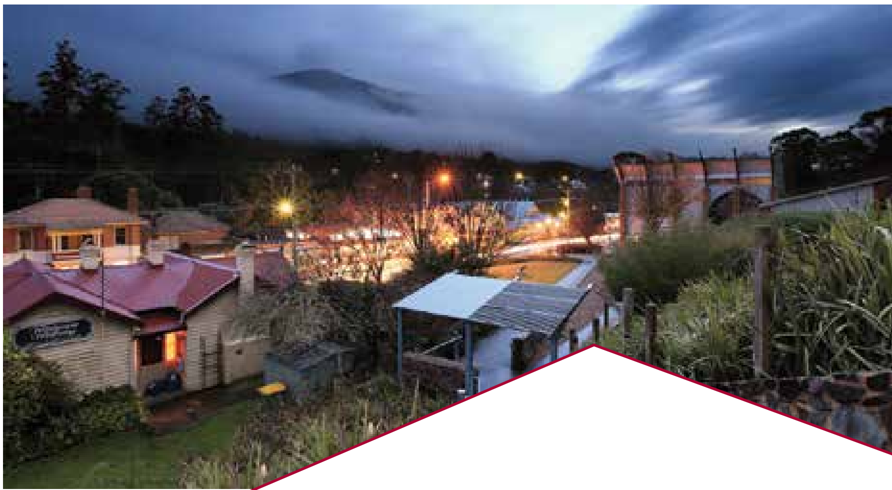



Annual Report 2016

Upper Yarra Community Enterprise Limited

ABN 54 090 252 627

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

Contents

Chairman's report

For year ending 30 June 2016

It is a privilege to present your company's Annual Report for the year ending 30 June 2016.

Milestones

During the year we proudly passed two milestones that illustrate the company's success over the past 16 years.

Firstly, we passed the $3 million mark of sponsorships to local community groups, which enables us to resource, encourage and promote opportunities essential to sustaining a vibrant community through banking and beyond.

Secondly, we passed the $1 million mark of dividends paid to our shareholders. This reminds us of the important role our shareholders played in our establishment so long ago.

The year in review

Overall the year was a successful one, although our gross revenues and profits did fall marginally as we experienced some maturing business in our Warburton **Community Bank**® Branch. This is not unexpected. In Warburton we are long established and customers are reaching the end of their mortgage terms.

In recognition of this softening profit, and the comments below (under The Road Ahead), the Directors have trimmed this year's dividend payout to 5.5 cents. The dividend, which is fully franked, was paid in October 2016.

Sponsorships

Sponsorships for the year totalled $379,000 and details are recorded in our twice-yearly publication 'Local Life' and at quarterly Presentation Nights.

Management

During the year, we received the resignation of Lisa Edwards, Warburton District **Community Bank**® Branch Manager. We took this opportunity to consolidate the management of our two branches under a single Manager and Adam Whitworth has been appointed to that role. Congratulations to Adam.

To provide increased support to Adam in his new role, we have appointed Dan Mathers and Carla Nobes as Customer Relationship Managers.

Board and Board Committees

We have welcomed two new Directors to the Board this year, Sally Brennan and Sarah Ward, who have each made valuable contributions in their short time on the Board.

The full Board meets 11 times a year, but much of their work is done in committees, which meet regularly, or as required.

Our committee structure allows the work of the Board to be more evenly spread among all volunteer Directors. It also allows non-Directors to be co-opted where appropriate. I note that past Chairman Rodney McKail makes a valuable contribution to the Finance Committee as a co-opted member.

During the year we made some changes to the committee arrangements. We split Finance and Governance into two separate committees, to provide a better focus on Finance and on Governance. We also re-established the Communications Committee, recognising the importance of all communication in our business.

In the year ahead we will establish a Marketing Committee, to increase our focus on business growth and development.

I thank all my fellow Directors for the willingness and even enthusiasm with which they discharge their responsibilities.

The road ahead

The next two years will not be without challenges. The banking business around the world is changing as interest rates fall to unprecedented lows and margins are squeezed as a result.

The transaction element of banking is also changing rapidly as our customers increasingly transact online. We are noticing this change as our over-the-counter (OTC) transaction count continues to trend downwards, and ATM transactions continue their steady climb. If we are to remain in touch with our customers so that we can always be alert and responsive to their changing needs, we need to be prepared to conduct our business in different ways.

And finally, we have to bed down some changes to our Franchise Agreement with Bendigo Bank that will, on our best estimates, reduce our gross revenues by as much as 10% when they take full effect in two years time. The potential impact on profit is, of course, far greater than 10%.

To mitigate the impact on our bottom line, we will need to place increased emphasis on growing our business base, and to be as cost efficient as we are able.

The growth in our business base can come from new customers, but also from our existing customers. Our average 'products per customer' ratio is just over 2.0, so there is potential for growth given our extensive range of products to meet a wide range of business and personal needs.

Strategic Plan

With these changes approaching, there is much work to be done if we are to lead your company through another 16 years of successful operations.

This work must start with the Board and to this end we have invested significant time during the past year in the development of a Strategic Plan. Work is continuing with some fine-tuning and documentation yet to be done. Our goal is to have the Strategic Plan finalised early in the New Year.

Other matters

I want to refer to two matters that were mentioned in my report last year.

Firstly, The Warburton Mountain Bike Hub Project. This is an initiative of the Yarra Ranges Council and has the potential, when funding is in hand, to change the face, and the economic prospects, of the whole of the Upper Yarra Valley.

Our commitment of $300,000, to be drawn only after construction commences, has been confirmed, and I am confident we can make this payment from our financial reserves, leaving our ongoing sponsorship program unaffected.

Upper Yarra Community Enterprise Limited is represented on the Project Steering Committee.

Secondly, it is with sincere apologies I must report that our proposed share buy-back has not yet been finalised.

Our challenge has been to meet the demanding requirements of both the Australian Tax Office (ATO) and the Australian Securities and Investments Commission (ASIC). Also, the looming changes to our Franchise Agreement, which will impact our revenues and possibly our profit, have made the task of striking an equitable buy-back price more difficult.

I am determined that we will pursue the buy-back with greater vigour in the next three months, and I remain optimistic that an offer can be made before Christmas.

In closing, I again thank all of our customers and shareholders for their continuing support, which is so important in enabling us to contribute to the enrichment of our communities.

Peter Kimberley
Chairman

Manager's report

For year ending 30 June 2016

One of the most satisfying parts of my role is seeing the reward our community receives by having two **Community Bank**® branches in our district. Our company has a wonderful record of returning its profits back to many groups, events and clubs within our region. We have given back more than $3 million since the Warburton **Community Bank**® Branch opened and last year provided $379,000 in sponsorships. It is a wonderful model and if we are to continue to be able to contribute the same level of support, we need the continued support of the community by doing business with us. Our shareholders, our customers and our friends and relatives are all welcome to have a conversation with us about the full range of banking services at competitive rates we offer.

My thanks go to our dedicated teams at both branches who continue to provide excellent service to our customers and approach their work with much enthusiasm.

Growth performance for the branches this year had mixed results. Yarra Junction District **Community Bank**® Branch had growth totalling $9.1 million bringing the total banking business to $76.8 million. This was a pleasing result in what are challenging times with the current low interest rate environment we are operating in. Both the deposits and lending business grew over the last financial year.

Warburton **Community Bank**® Branch's banking business declined by $7.8 million last financial year. Both the deposit and lending business had negative growth. Being a mature site, now more than 16 years old, achieving growth does become more difficult, but I believe the new staffing structure will assist in building the business at both sites.

Between both branches we now have banking business totalling $191.4 million and more than 9,000 accounts. Both branches are still opening new accounts in good numbers and use of the branches is still strong with an average of 5,000 transactions a month between them.

The company has undergone a branch staffing restructure during the year. The Board decided on one Manager to oversee both branches and I was appointed to this role in April. Part of this restructure also involved appointing two Customer Relationship Managers. These roles will assist with customers lending needs and also assist me in overseeing branch operations.

Dan Mathers brings many years of **Community Bank**® experience having worked in the Bendigo Bank network for 15 years. Dan has commenced at our Warburton **Community Bank**® Branch as our Customer Relationship Manager and is looking forward to working with the Warburton community. Importantly, Dan has authority to approve loans, so our ability to negotiate and settle loans is greatly enhanced.

Carla Nobes has been appointed Customer Relationship Manager at Yarra Junction District **Community Bank**® Branch. Carla will be known to some of you as a foundation staff member at the Yarra Junction branch. After travelling overseas, she has now returned to the Yarra Junction District **Community Bank**® Branch where she has taken on the new role with much enthusiasm.

We also welcomed another new staff member during the year. Michelle Merryfull joined us as a Customer Service Officer at the Yarra Junction District **Community Bank**® Branch and has settled into her role well.

My thanks go to Peter Kimberley and the Board for their continued support of myself and the branch staff. Also thanks to Mark Nolan and Natalie Goold and their teams at Bendigo and Adelaide Bank for their assistance throughout the year.

Adam Whitworth
Branch Manager Warburton and Yarra Junction

Executive Officer's report

For year ending 30 June 2016

Our focus on community development means we are an integral part of the community we serve. We support a range of projects that meet the developing needs of our community, creating better opportunities for everyone.

Through sponsorships we have now reinvested $3 million back into our community. We simply wouldn't be the towns that we are today without this significant contribution. We are proud to see local groups and projects flourish and how from the youngest community member to the oldest, sponsorship has provided a benefit.

Here is a summary of some of our key sponsorship activities:

We provided Ongoing Sponsorship to almost 20 schools and clubs

We have successfully implemented an 'Ongoing Sponsorship' program for our valued sporting clubs and schools, who account for approximately one-third of our sponsorship budget. In the past, the application for sponsorship by these organisations was made as part of regular sponsorship rounds; however, it was determined that each organisation knows best their own needs and priorities and a 'once a year' program was established. Schools and clubs now receive a regular amount based on number of students/members and their activities that they can count on and plan for. The acquittal process ensures we are kept updated with the value these funds have bought to our business.

We invested in our youth

Through our Ian De la Rue Youth Initiative Awards and our Scholarship program, we have supported nine young people in our community to achieve their dreams. Our 'Youth Initiative Award' went to not one but five worthy recipients such was the high standard of applications. Aleksei Bondarenko-Edwards, Rebecca Lumsden-Keys, Harley Lubeck, Hannah Mahoney and Steven Saunders all did our community proud. Scholarships were awarded to Chelsea Barnard, Sarah Bamford, Brigid Peeler and Zak Gilsenan to help them in their first year of tertiary education. These programs are ongoing and a highly appreciated part of our community service.

We funded the purchase of a new community bus

A longstanding asset to our community, the community bus, was in great need of an upgrade. The bus provides an important low-cost service to local groups that need transport and helps bridge the gap between our townships and activities locally and down the line.

We responded to important issues facing women and families

This year saw the inaugural Recognition of Outstanding Community Leadership that was given to Brendon Murphy to acknowledge his role in raising the issue of domestic violence in our communities. We donated funds to a domestic violence charity of Brendon's choice and the Respectful Relationship program in schools. We also funded several programs providing access and community services to women leaving situations of family violence and a drop-in program for youth.

We supported the arts and cultural development

We've been long-term supporters of our local film society and we've also invested in many start-up theatre groups, providing wonderful opportunities for children and adults alike to learn performance craft and backstage management. This year we've funded a young writers workshop, a book and photo project featuring women artists and local performers at festivals and markets.

Executive Officer’s report (continued)

We invested in our environment

Our community is one that values sustainability and conservation. We’ve been able to support a thriving bee keeping community and their bees, and fund a range of festivals and educational/hands-on learning opportunities for local people, including our school children, to learn important skills in food production and the environment.

We encourage older adults to be active and connected

New equipment for a table tennis club and new greens at the bowls club are just two of the ways we’ve been able to inject new life into the social and physical welfare of our older adults.

We have been able to do this because you, our shareholders, and customers make this possible so we can all be proud of our achievements this year.

I would like to extend my sincere thanks to my colleagues in the corporate team, Suyin Chan and Lindy Schneider. Without their dedication and commitment to our community, the potential of our enterprise would be greatly diminished.

Geoff Vickers
Executive Officer

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Upper Yarra Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Peter Kimberley - Chairman

Experience, expertise and qualifications.

Peter has more than 30 years experience in Funds Management & Superannuation. Previously a Director of various property management and consultancy companies.

BSc (Melb) Post Grad qualification from IAFPA.

Geoff Vickers - Secretary

Experience, expertise and qualifications.

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.

Cert III Financial Services, Cert IV Community Services, Cert IV Training & Assessment, Cert in Corporate Governance.

Elizabeth Fox

Experience, expertise and qualifications.

Elizabeth is co-ordinating the Education Support Department at Tintern Girls Grammar. She previously worked at Upper Yarra Secondary College for 18 years.

Master of Teacher in Special Education.

Jaqui Hall

Experience, expertise and qualifications.

Jaqui chaired the Yarra Junction Steering Committee & previously operated her own business. Prior to that she was Bursar/Administrator at Warburton Primary School.

Jim Child

Experience, expertise and qualifications.

Jim is currently a Councillor at Yarra Ranges Council, and is an owner/operator of a local company. He has had involvement in a number of local community groups.

Chris Brown

Experience, expertise and qualifications.

Chris is CEO of Kooyong Lawn Tennis Club and was a Director of Board of Billanook College from 1991-2011. He is involved in a number of local community sporting bodies.

Degree in Economics, Member of CPA.

Michael Janssen

Experience, expertise and qualifications.

Michael is General Manager of EACH Social & Community Health. He is also a member of Yarra Ranges Health & Wellbeing Advisory Committee and has interests in community development.

Masters in Applied Science, Bachelor of Theology.

Directors (continued)

Joy McConachy

Experience, expertise and qualifications.

Joy has been involved in many community and sporting groups and has served as president of school council.

She is a member of the discussion group Women in Primary Industry.

Sarah Ward-Brumhead (appointed 12 October 2015)

Experience, expertise and qualifications.

Sarah is involved with the Misfit Theatre Group, a social enterprise based on the 'for youth by youth' philosphy.

She is involved with several organisations in the youth disability area.

Bachelor of Social Work. Cert IV Training & Assessment.

Sally Brennan (appointed 9 November 2015)

Experience, expertise and qualifications.

Sally has been the Secretary of the Yarra Junction Football Netball Club for nine years, and is also a member of the Upper Yarra Secondary College School Council. She was the CEO of Cire Services for twenty two years. She now works as an education consultant.

She has tertiary qualifications in education and community development, including a Masters in Education.

Sarah Forbes (resigned 28 October 2015)

Experience, expertise and qualifications.

Sarah has worked as a Community Development Officer for Yarra Ranges Council and Community Health Services, specialising in the area of disability.

Bachelor of Social Work, Cert IV Training & Assessment.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Peter Kimberley	10	9
Geoff Vickers	10	9
Elizabeth Fox	10	8
Jaqui Hall	10	9
Sarah Ward-Brumhead	7	6
Jim Child	10	9
Chris Brown	10	8
Michael Jannsen	10	6
Joy McConachy	10	7
Sally Brennan	6	6
Sarah Forbes	3	2

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Mr G M Vickers has been the Company secretary of Upper Yarra Community Enterprise Ltd since 2002. He holds qualifications in Financial 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.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch 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

The profit of the company for the financial year after provision for income tax was $141,230 (2015: $104,439), which is a 35% increase as compared with the previous year.

Dividends

A fully franked final dividend of 6.0 cents per share was declared and paid during the year for the year ended 30 June 2015.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

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 the end of the reporting period

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.

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.

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.

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' report (continued)

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.

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 11 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 on 30 September 2016.

Peter Kimberley
Director/Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Upper Yarra Community Enterprise Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 5 October 2016

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

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	1,890,848	1,914,736
Expenses			
Employee benefits expense	3	(913,727)	(896,393)
Depreciation and amortisation	3	(55,567)	(47,860)
Administration and general costs		(39,952)	(43,331)
Finance costs	3	(134)	(146)
Bad and doubtful debts expense	3	(1,079)	(2,203)
Occupancy expenses		(36,764)	(35,355)
IT costs		(69,090)	(70,863)
Advertising expenses		(24,384)	(36,828)
Professional expenses		(86,572)	(94,202)
Repairs and maintenance expenses		(27,402)	(37,188)
Utilities		(37,253)	(34,864)
Other expenses		(82,748)	(84,203)
		(1,374,672)	**(1,383,436)**
Operating profit before charitable donations and sponsorships		**516,176**	**531,300**
Charitable donations and sponsorships		(380,429)	(382,577)
Profit before income tax		**135,747**	**148,723**
Income tax (benefit) / expense	4	(5,483)	44,284
Profit for the year		**141,230**	**104,439**
Other comprehensive income		-	-
Total comprehensive income for the year		**141,230**	**104,439**
Profit attributable to members of the company		141,230	104,439
Total comprehensive income attributable to members of the company		**141,230**	**104,439**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):

- basic earnings per share	12.68	9.38

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	287,864	291,622
Trade and other receivables	6	189,961	189,814
Financial assets	7	551,281	532,989
Other assets	8	6,826	-
Total current assets		**1,035,932**	**1,014,425**
Non-current assets			
Property, plant and equipment	9	617,405	646,549
Intangible assets	10	48,103	35,748
Deferred tax assets	4	49,228	-
Total non-current assets		**714,736**	**682,297**
Total assets		**1,750,668**	**1,696,722**
Liabilities			
Current liabilities			
Trade and other payables	11	79,388	74,519
Current tax liability	4	12,516	5,826
Borrowings	12	838	670
Provisions	13	121,121	107,602
Total current liabilities		**213,863**	**188,617**
Non-current liabilities			
Provisions	13	16,366	13,081
Total non-current liabilities		**16,366**	**13,081**
Total liabilities		**230,229**	**201,698**
Net assets		**1,520,439**	**1,495,024**
Equity			
Issued capital	14	1,113,506	1,113,506
Retained earnings	15	406,933	381,518
Total equity		**1,520,439**	**1,495,024**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		1,113,506	392,894	1,506,400
Profit for the year		-	104,439	104,439
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**104,439**	**104,439**
Transactions with owners in their capacity as owners				
Dividends paid or provided	24	-	(115,815)	(115,815)
Balance at 30 June 2015		**1,113,506**	**381,518**	**1,495,024**
Balance at 1 July 2015		1,113,506	381,518	1,495,024
Profit for the year		-	141,230	141,230
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**141,230**	**141,230**
Transactions with owners in their capacity as owners				
Dividends paid or provided	24	-	(115,815)	(115,815)
Balance at 30 June 2016		**1,113,506**	**406,933**	**1,520,439**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,054,521	2,084,138
Payments to suppliers and employees		(1,870,360)	(1,962,079)
Dividends received		18,292	19,558
Interest received		3,695	4,972
Income tax paid		(37,055)	(39,466)
Interest paid		(134)	(146)
Net cash provided by operating activities	**16b**	**168,959**	**106,977**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,243)	-
Purchase of investments		(36,535)	(32,927)
Purchase of intangible assets		(18,292)	-
Net cash flows used in investing activities		**(57,070)**	**(32,927)**
Cash flows from financing activities			
Proceeds from borrowings		168	160
Dividends paid		(115,815)	(115,815)
Net cash used in financing activities		**(115,647)**	**(115,655)**
Net decrease in cash held		**(3,758)**	**(41,605)**
Cash and cash equivalents at beginning of financial year		291,622	333,227
Cash and cash equivalents at end of financial year	**16a**	**287,864**	**291,622**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Upper Yarra Community Enterprise Limited.

Upper Yarra Community Enterprise 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 29 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, 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.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Warburton and Yarra Junction.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

"Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	3%	SL
Leasehold improvements	7.5 - 18.75%	DV
Plant and equipment	10 - 25%	DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Preliminary expenses and franchise fees 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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Rental income is recognised on a straight line basis over the lease term.

Dividend and other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets benefits (continued)

(iii) Impairment (continued)

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

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:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018) (continued)

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges 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.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

Fair value assessment of non-current physical assets

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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 evaluating 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.

	2016 $	2015 $

Note 2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	1,857,040	1,878,493
	1,857,040	**1,878,493**
Other revenue		
- interest received	3,695	4,972
- other revenue	30,113	31,271
	33,808	**36,243**
Total revenue	**1,890,848**	**1,914,736**

Note 3. Expenses

Profit before income tax inclедes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	735,447	697,651
- superannuation costs	77,006	70,155
- other costs	101,274	128,587
	913,727	**896,393**

	2016 $	2015 $

Note 3. Expenses (continued)

Depreciation and amortisation		
Depreciation		
- leasehold improvements	6,992	7,764
- fixtures and fittings	7,991	9,357
- plant and equipment	7,688	6,855
- buildings	8,716	8,715
	31,387	**32,691**
Amortisation		
- franchise fees	24,180	15,169
- preliminary expenses	-	-
	24,180	**15,169**
Total depreciation and amortisation	**55,567**	**47,860**
Finance costs		
- Interest paid	134	146
Bad and doubtful debts expenses	1,079	2,203
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,600	3,930

Note 4. Income tax

a. The components of tax expense comprise:		
Current tax expense	48,276	44,284
Deferred tax expense	(4,355)	-
Imputation credits	(3,817)	-
Under / (over) provision of prior years	(45,587)	-
	(5,483)	**44,284**

Notes to the financial statements (continued)

	2016 $	2015 $
Note 4. Income tax (continued)		
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities		
before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 28.5% (2015: 30%)	38,688	44,617
Add tax effect of:		
- Under / (over) provision of prior years	(45,587)	-
- Imputation credits	(2,728)	(3,562)
- Non-deductible expenses	110	3,229
- Change in company tax rates	4,034	-
Income tax attributable to the entity	**(5,483)**	**44,284**
The applicable weighted average effective tax rate is :	-4.04%	29.78%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	5,826	1,008
Income tax paid	(37,055)	(39,466)
Current tax	48,276	44,284
Franking credit refund	(3,817)	-
Under / (over) provision prior years	(714)	-
	12,516	**5,826**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Property, plant & equipment	9,435	-
Accruals	1,984	-
Employee provisions	37,809	-
	49,228	**-**
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(4,355)	-
Under / (over) provision prior years	(44,873)	-
	(49,228)	**-**

	2016 $	2015 $

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	167,355	173,920
Short-term bank deposits	120,509	117,702
	287,864	**291,622**

The effective interest rate on short-term bank deposits was 2.3% (2015: 2.5%); these deposits have an average maturity of 60 days.

Note 6. Trade and other receivables

Current	2016 $	2015 $
Trade receivables	169,477	168,823
Other receivables	484	991
Unsecured loan to Warburton Visitors Information Centre Pty Ltd	20,000	20,000
	189,961	**189,814**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

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

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	169,477	169,477	-	-	-	-
Other receivables	484	484	-	-	-	-
Unsecured Loan	20,000	20,000	-	-	-	-
Total	**189,961**	**189,961**	**-**	**-**	**-**	**-**

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2015						
Trade receivables	168,823	168,823	-	-	-	-
Other receivables	991	991	-	-	-	-
Unsecured Loan	20,000	20,000	-	-	-	-
Total	**189,814**	**189,814**	**-**	**-**	**-**	**-**

	2016 $	2015 $

Note 7. Financial assets

Available for sale financial assets		
Listed shares at cost	158,584	149,679
Managed investment at cost	342,827	333,440
Hydro project at cost	36,501	36,501
Caravan park project	13,369	13,369
	551,281	**532,989**

Note 8. Other assets

Prepayments	6,826	-
	6,826	**-**

Note 9. Property, plant and equipment

Land		
At cost	200,000	200,000
Buildings		
At cost	348,611	348,611
Less accumulated depreciation	(86,593)	(77,877)
	262,018	**270,734**

	2016 $	2015 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
At cost	166,430	166,430
Less accumulated depreciation	(90,632)	(83,640)
	75,798	**82,790**
Fixtures and fittings		
At cost	139,857	139,857
Less accumulated depreciation	(89,139)	(81,148)
	50,718	**58,709**
Plant and equipment		
At cost	140,679	138,436
Less accumulated depreciation	(111,808)	(104,120)
	28,871	**34,316**
Total property, plant and equipment	**617,405**	**646,549**
(a) Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	200,000	200,000
Balance at the end of the reporting period	**200,000**	**200,000**
Buildings		
Balance at the beginning of the reporting period	270,734	279,449
Depreciation expense	(8,716)	(8,715)
Balance at the end of the reporting period	**262,018**	**270,734**
Leasehold improvements		
Balance at the beginning of the reporting period	82,790	90,554
Depreciation expense	(6,992)	(7,764)
Balance at the end of the reporting period	**75,798**	**82,790**
Fixtures and fittings		
Balance at the beginning of the reporting period	58,709	68,066
Depreciation expense	(7,991)	(9,357)
Balance at the end of the reporting period	**50,718**	**58,709**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

	2016 $	2015 $
Plant and equipment		
Balance at the beginning of the reporting period	34,316	41,171
Additions	2,243	-
Depreciation expense	(7,688)	(6,855)
Balance at the end of the reporting period	**28,871**	**34,316**
Total property, plant and equipment		
Balance at the beginning of the reporting period	646,549	679,240
Additions	2,243	-
Depreciation expense	(31,387)	(32,691)
Balance at the end of the reporting period	**617,405**	**646,549**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	105,756	69,221
Less accumulated amortisation	(57,653)	(33,473)
	48,103	**35,748**
Preliminary expenses		
At cost	-	-
Less accumulated amortisation	-	-
	-	**-**
Total intangible assets	**48,103**	**35,748**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	35,748	50,917
Additions	36,535	-
Disposals	-	-
Amortisation expense	(24,180)	(15,169)
Balance at the end of the reporting period	**48,103**	**35,748**
Preliminary expenses		
Balance at the beginning of the reporting period	-	-
Balance at the end of the reporting period	**-**	**-**

	2016 $	2015 $

Note 10. Intangible assets (continued)

Total intangible assets

Balance at the beginning of the reporting period	35,748	50,917
Additions	36,535	-
Disposals	-	-
Amortisation expense	(24,180)	(15,169)
Balance at the end of the reporting period	**48,103**	**35,748**

Note 11. Trade and other payables

Current

Unsecured liabilities:		
Trade creditors	14,037	18,243
Other creditors and accruals	65,351	56,276
	79,388	**74,519**

The average credit period on trade and other payables is one month.

Note 12. Borrowings

Current

Secured liabilities		
Bank loan	**838**	**670**

(a) Bank loans

The loan is secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at a fixed rate of 6.25% (2015: 6.5%) “

Note 13. Provisions

Current

Employee benefits	121,121	107,602
Non-current		
Employee benefits	16,366	13,081
Total provisions	**137,487**	**120,683**

	2016 $	2015 $

Note 14. Share capital

	2016 $	2015 $
400,000 Ordinary shares fully paid	400,000	400,000
730,250 Ordinary shares fully paid	730,250	730,250
800,000 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(16,744)	(16,744)
	1,113,506	**1,113,506**

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

(a) Movements in share capital

	2016 $	2015 $
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.

(b) 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 company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid 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.

	2016 $	2015 $

Note 15. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	381,518	392,894
Profit after income tax	141,230	104,439
Dividends paid	(115,815)	(115,815)
Balance at the end of the reporting period	**406,933**	**381,518**

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:

	2016 $	2015 $
Cash and cash equivalents (Note 6)	287,864	291,622
As per the Statement of Cash Flow	**287,864**	**291,622**

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit after income tax	141,230	104,439
Non-cash flows in profit		
- Depreciation	31,387	32,691
- Amortisation	24,180	15,169
- Bad Debts	1,079	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,226)	5,992
- (increase) / decrease in prepayments and other assets	(6,826)	-
- (Increase) / decrease in deferred tax asset	(49,228)	-
- Increase / (decrease) in trade and other payables	4,869	(54,617)
- Increase / (decrease) in current tax liability	6,690	4,818
- Increase / (decrease) in provisions	16,804	(1,515)
Net cash flows from / (used in) operating activities	**168,959**	**106,977**

(c) Credit standby arrangement and loan facilities

The company has a commercial bill facility amounting to $59,370 (2015: $75,576). This may be terminated at any time at the option of the bank. At 30 June 2016, $848 of this facility was used (2015: $670). Variable interest rates apply to this bill facility.

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	12.68	9.38
Earnings used in calculating basic earnings per share	141,230	104,439
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,113,506	1,113,506

Note 18. Key management personnel and related party disclosures

(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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2016 $	2015 $
Short-term employee benefits	93,238	83,920
Post-employment benefits	8,858	7,972
Other long-term benefits	1,857	1,708
Share-based payments	-	-
Total key management personnel compensation	**103,953**	**93,600**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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.

Note 18. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties

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.

(d) Key management personnel shareholdings

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

	2016	2015
Key Management Personnel		
Peter Kimberley (ATF PSK Superannuation Fund)	24,000	24,000
Geoff Vickers	2,000	2,000
Elizabeth Fox	-	-
Jaqui Hall	30,000	30,000
Sarah Ward-Brumhead	-	-
Jim Child	-	-
Chris Brown	-	-
Michael Jannsen	-	-
Joy McConachy	10,000	10,000
Sally Brennan	-	-
Sarah 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 19. 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 20. Contingent liabilities and contingent assets

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

Note 21. 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 (2015: 100%).

Note 22. Commitments

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	38,238	36,764
- between 12 months and five years	109,650	147,885
- greater than five years	-	-
Minimum lease payments	**147,888**	**184,649**

The property lease is a non-cancellable lease expiring in February 2020, with rent payable monthly in advance and with 4% increases each year.

Note 23. Company details

The registered office and principle place of business is 3389 Warburton Highway, Warburton, VIC 3799.

Note 24. Dividends paid or provided for on ordinary shares

	2016 $	2015 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 6.0 cents per share (2015: 6.0) franked at the tax rate of 30% (2015: 30%).	115,815	115,815

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial 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.

Note 25. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	287,864	291,622
Trade and other receivables	6	189,961	189,814
Financial assets	7	551,281	532,989
Total financial assets		**1,029,106**	**1,014,425**
Financial liabilities			
Trade and other payables	11	79,388	74,519
Borrowings	12	848	670
Total financial liabilities		**80,236**	**75,189**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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.

Note 25. Financial risk management (continued)

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.3%	287,864	287,864	-	-
Trade and other receivables	-%	189,961	189,961	-	-
Financial assets	-%	551,281	551,281	-	-
Total anticipated inflows		**1,029,106**	**1,029,106**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	79,388	79,388	-	-
Borrowings	6.25%	848	848	-	-
Total expected outflows		**80,236**	**80,236**	**-**	**-**
Net inflow / (outflow) on financial instruments		**948,870**	**948,870**	**-**	**-**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.5%	291,622	291,622	-	-
Trade and other receivables	-%	189,814	189,814	-	-
Financial assets	-%	532,989	532,989	-	-
Total anticipated inflows		**1,014,425**	**1,014,425**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	74,519	74,519	-	-
Borrowings	6.5%	670	670	-	-
Total expected outflows		**75,189**	**75,189**	**-**	**-**
Net inflow / (outflow) on financial instruments		**939,236**	**939,236**	**-**	**-**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

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.

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

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	8,391	8,391
+/- 1% in interest rates (interest expense)	(8)	(8)
	8,383	**8,383**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	8,246	8,246
+/- 1% in interest rates (interest expense)	(7)	(7)
	8,239	**8,239**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

There is no share price risk as listed investments are carried at cost in the financial statements.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	287,864	287,864	291,622	291,622
Trade and other receivables (i)	189,961	187,131	189,814	189,814
Financial assets	551,281	539,218	532,989	571,731
Total financial assets	**1,029,106**	**1,014,213**	**1,014,425**	**1,053,167**
Financial liabilities				
Trade and other payables (i)	79,388	79,388	74,519	74,519
Borrowings	848	848	670	670
Total financial liabilities	**80,236**	**80,236**	**75,189**	**75,189**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 6 to 38 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 2016 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

Signed at Warburton on 30 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S OPINION

To the directors of Upper Yarra Community Enterprise Limited

Report on the Annual 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 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion 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.

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

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

Independence

In conducting our review, 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 2016 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.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 5 October 2016

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www.bendigobank.com.au/warburton

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