

Upper Yarra Community
Enterprise Limited
ABN 54 090 252 627

2008 annual report



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Chairman's report

For year ending 30 June 2008

I am very proud to be able to present our 9th annual report, knowing that our Company is in a very healthy state with great potential for further growth into the future. We have had a very busy year, in what has been a fantastic effort by all involved, including Directors, staff, shareholders and the Upper Yarra community.

As you will be aware, we expanded our organisation during the year with the Yarra Junction District **Community Bank**® Branch coming on line. As well as issuing 800,000 additional shares, we raised \$730,000 in new share capital, and have been heartily embraced by the Yarra Junction community. The new branch is operating to budget and if it continues to do well, we expect it will start returning a profit early in the 2009/10 financial year. If we continue along the current growth pattern, this date could be achieved even earlier. This relies on the continued support of our shareholders and the Yarra Junction district community.

The Warburton **Community Bank**® Branch has also performed strongly throughout the year, increasing its lending and deposit portfolio by 5.2% to \$83.6 million. All things considered this is an outstanding result.

It is also reassuring to note the growth in total over-the-counter and ATM transactions across the two branches. Warburton's average monthly over-the-counter transactions was fractionally more than 4,000 for the 12 months, the combined average for the last three months of the financial year was 5,600. Similarly, ATM transactions of approximately 9,000 per annum, increased over the last three months of the financial year to 13,000. This re-affirms the detailed modeling that we undertook and shows a strong growth in new business. We need to sustain and grow these levels as we move forward.

We welcomed two new Directors in Jacqui Hall and Barry Sharman. Both Jacqui and Barry have made a very positive contribution to the Board. Their work in support of Yarra Junction has been outstanding. It is also important that I acknowledge the ongoing work and commitment of the Yarra Junction steering committee which has continued to work actively as a group in support of the Yarra Junction **Community Bank**® Branch. We look forward to their ongoing support as we continue to grow our business on the 'western front'.

Given the expansion of our business we were very pleased to announce a dividend of 2 cents per share. We did not anticipate declaring such a positive dividend in the first year of Yarra Junction coming on line. The Board has made a conscious effort to pay a dividend above the level set by our standard policy in recognition of the extraordinary year that we have been through. This equates to 6 cents per share for our original shareholders (given the two for one share issue during the year) and provides an immediate return of 2 cents per share for our new shareholders. This demonstrates one of the great benefits of the business expansion model by providing an immediate return for new shareholders.

We continue to be very proud of our record in providing financial support to community groups and projects in the Upper Yarra District. In 2007/08 we contributed more than \$160,000 in community grants and sponsorships. Over the last four years we have contributed more than \$750,000 in grants and contributions to the community. With the continued support of our community this will only continue to grow.

Chairman's report continued

A project of particular note delivered in 2007/08 was 'Ban the Bulb' which exchanged 48,214 incandescent light bulbs with compact fluorescent lights. The project resulted in a carbon emissions reduction equivalent to taking 11,700 cars off the road for 12 months.

I attended the National **Community Bank**® Conference earlier this year and was very proud to accept, on your behalf, an award inducting our Company into the **Community Bank**® Hall of Fame. There are now 221 **Community Bank**® branches across Australia and we are only the second to receive this accolade-a truly amazing achievement. I would like to take this opportunity to thank and honor the original founders of our Company and acknowledge the vision and courage these people demonstrated all those years ago. In particular, I would like to acknowledge Ian De la Rue and Don Vickers for the enormous contribution and sacrifices they made to our success.

I would like to extend congratulations to Darren, Adam and their teams for their excellent work over the year. We are very lucky to have such a committed group. Since February, the two branches have worked together extremely well which provides great flexibility and economies as we move forward. Our very special thanks also to Executive Officer Geoff Vickers. Geoff works tirelessly in support of the **Community Bank**® branch and is critical in our ongoing success. He is also the only remaining inaugural member of the Board and has made a significant contribution in his own right to our recognition in the Hall of Fame.

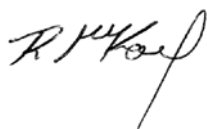
Appreciation is extended to the Bendigo Bank, in particular our Regional Manager Alison Burr. Alison and her team have been an invaluable source of information and support to us over the year. In particular, the support provided through the process of opening Yarra Junction has been greatly appreciated.

I believe it is also important to recognise the associate companies who provide support throughout the year, this includes Michael Aicher our Company Accountant, Warren Sinnott from Richmond Sinnott & Delahunty, our Auditors, David Rush from Rennick & Gaynor and Tim Mepstead our Company Solicitor. Success of most Companies depends heavily on the level of professional assistance and advice received. Our Company is no exception.

As for my fellow Directors, I would like to thank each and every one of them for their contribution this year. It has been a very challenging and demanding one. In recent times we have made some significant decisions and I can assure you that all Directors have been very professional in representing you, the shareholders, our customers and of course our community. To voluntarily take on the role of custodians of a \$1.5 million plus community owned organisation is a credit to each and every one of them. They are a wonderful group of community minded people who have willingly and freely given their time to support the local community.

As Directors of a public Company we are fully aware of our responsibilities in regards to accountability and transparency and would value an opportunity to interact with you, our shareholders. We welcome your comments and feedback.

On behalf of the Board, we look forward to the ongoing growth and development of this amazingly successful community owned enterprise and look forward to your continued support.



Rodney McKail
Chairman

Warburton Manager's report

For year ending 30 June 2008

The past financial has seen the Warburton **Community Bank**® Branch move ahead with some solid growth figures. The results have been excellent given the maturity of the branch. We are now eight years old, and to continue to grow and perform at this level is a result of the community support, and trust and belief in what the **Community Bank**® branch is striving to achieve locally. We have supported many projects and sponsored many clubs, some of which you as shareholders may have seen or have benefited from. Without the community support of the bank none of which would have been possible.

As at 30 June 2008 our total book balance was \$83.61 million that represents growth of \$4.12 million over the past 12 months. We were able to have this growth while also having approx \$4 million of our book re-domiciled to the new Yarra Junction **Community Bank**® Branch.

Our customer numbers have decreased from 3,687 customers as at 30 June 2007 down to 3,592 as at end of June 2008, that's a decrease of 95 customers. We have had 143 accounts move to Yarra Junction, which has seen us maintain good numbers. Even with this decrease in customer numbers the growth of the branch has been excellent.

The products per customer has also increase over the past 12 months, at the end of June 2007 we were at 1.99, this is an important figure as clients are using us for more of their financial needs and this is good for your community. Through our insurance, financial planning and business banking we are able to provide a full financial service for the district, as well as providing local, friendly back up support.

The use of the **Community Bank**® branch is strong, we were processing approximately 4,000 over the counter transactions per month and the ATM was averaging around 7,000 transactions per month last year. Once again with the opening of Yarra Junction our over the counter transactions have decreased by approximately 800 to 900 per month. The ATM is still doing in excess of 7,000 a month. We did expect a change in our transaction volumes as our existing clients from the Yarra Junction area choose to use the new branch.

As for the next 12 months we are faced with the same challenges from our competitors. The lending has seen some slowing down over the past few months, due to the higher rates and changes to economic circumstances such as housing price affordability, inflation and petrol prices. This empathises that we still need all the community support behind the **Community Bank**® branch. We cannot sit back and say the job is done, we need all current clients, shareholders and members of the community to continue to support the **Community Bank**® branch by having their banking with us, referring your family and friends to the **Community Bank**® branch and with continued community support we should still see the Warburton **Community Bank**® Branch continue on the upward trend. With this support we will be able to continue to support your community through funding of the many sponsorship and grant requests we receive every year.

On behalf of the team and myself, I would like to thank all who have supported your **Community Bank**® branch and who have made it the strength it is today. Please remember to come in and see us for any banking need that you or your family may require, in doing so you are helping the **Community Bank**® branch support the community.



Darren Pennington
Branch Manager

Yarra Junction Manager's report

For year ending 30 June 2008

The Yarra Junction branch officially opened for business on 26 February this year after celebrations the day before. It was great to see so many people turn up to join the festivities. The branch has been well received by new and existing Bendigo Bank customers, many commenting on the convenient location and the pleasant lay out of the branch.

Business has been steady since we opened. As at 30 June 2008 we had business totaling \$11.7 million and 634 accounts held. It was a good effort in our first four months of trading. Some of this business was transferred from neighboring branches, but the majority of it was new business to the bank.

We are continuing to get busier as the awareness of the branch increases. We are doing around 2,200 transactions a month over the counter and the ATM is being used over 5,000 times a month.

Many thanks must go to our branch staff, Emily, Carla, Karen and Marissa. They have all settled into their roles now and are enjoying the challenge.

We have been able to sponsor some local clubs and provide support to some local events. With continued community support of the branch we hope be able to increase our support. We are in the process of introducing the Community Saver card to Yarra Junction. This has been running for some time in Warburton and encourages our customers to shop locally. Cardholders will be eligible for a range of discounts and specials from participating businesses in both the Yarra Junction and Warburton areas.

Thank you to all of those who have supported the branch and to those who are yet to visit the branch, please do. We have a long way to go before we will be in a profitable state and the more support we have the sooner we can make a real difference.

Thank you to the Yarra Junction steering committee for all of their hard work prior to opening and making a **Community Bank®** branch for Yarra Junction a reality.

And finally many thanks to the Board of Directors for their continued support.



Adam Whitworth
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

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

Mr G M Vickers

Company Secretary

Mrs C L Aulich

Account Manager

Mr M Magee

Truck Body Builder

Ms E R Fox

Student Counsellor

Mr L B Marshall

Retired Maintenance Manager

Mr R McKail

Governance Manager

Mr R J Woods

Environmental Consultant

Mr B J Sharman (appointed 18 September 2007)

Administrative Officer

Mrs J D Hall (appointed 18 September 2007)

Retired Shop Proprietor

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. During the year the Company paid Donations and Community payments of \$124,356 (2007: \$206,574). The profit of the Company for the financial year after provision for income tax was \$46,572 (2007: \$69,788).

Dividends	Year ended 30 June 2008	
	Cents per share	Total \$
Dividends paid in the year:		
- As recommended in the prior year report	12	48,000

Directors' report continued

Significant changes in the state of affairs

The Company changed its name from Warburton Community Financial Services Ltd to Upper Yarra Community Enterprise Ltd on 2 November 2007. On 7 November 2007, the Company made a bonus issue of shares to its current shareholders at the ratio of 2:1. The total number of bonus shares issued was 800,000. The Company opened a second branch in Yarra Junction on 23 February 2008. An issue of 730,250 shares, with a paid up value of \$1 per share was made to raise capital for the new branch.

These shares were issued on 13 February 2008. The total number of shares on issue is now 1,930,250.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Directors' benefits

Other than detailed below no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Directors' report continued

Executive remuneration

	Primary benefits salary & fees \$	Post employment superannuation \$	Other \$	Total \$
Darren Pennington (Branch Manager)				
2008	74,730	6,725	-	81,455
2007	71,686	6,147	-	77,833
Adam Whitworth (Branch Manager)				
2008	27,500	2,475	-	29,975
2007	-	-	-	-
Geoffrey Vickers (Company Secretary)				
2008	60,575	5,483	-	66,058
2007	51,695	4,652	-	56,347

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Number of meetings held:	14
Number of meetings attended:	
Mr G M Vickers	14
Mrs C L Aulich	12
Mr M Magee	14
Ms E R Fox	10
Mr L B Marshall	13
Mr R McKail	12
Mr R J Woods	12
Mr B J Sharman (appointed 18 September 2007)	8
Mr J D Hall (appointed 18 September 2007)	10

Company Secretary

Mr G M Vickers has been the Company Secretary of Upper Yarra Community Enterprise Ltd for 5 1/2 years, he holds qualifications in Hospitality, Horticulture and Community services.

He operated his own crop spraying business for 10 years until he sold the business in 2004. Prior to commencing his business he was Operations Manager for Muirfield Plant Protection.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are G Vickers (Convenor), M Magee, R McKail and C Aulich;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

Directors' report continued

Richmond Sinnott & Delahunty Chartered Accountants



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

8 September 2008

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

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Upper Yarra Community Enterprise Limited for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Warburton, Victoria on
8 September 2008.

Rodney McKail
Chairman

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	2	1,009,552	893,751
Employee benefits expense	3	(460,969)	(348,238)
Depreciation and amortisation expense	3	(43,025)	(20,658)
Finance costs	3	(12,394)	(15,583)
Charitable donations and sponsorship		(124,356)	(206,574)
Administration and other expenses from ordinary activities		(290,999)	(193,765)
Profit before income tax		77,809	108,933
Income tax expense	4	31,237	39,145
Profit after income tax expense		46,572	69,788
Earnings per share (cents per share)			
- basic for profit for the year	23	3.90	17.45
- diluted for profit for the year	23	3.90	17.45
- dividends paid per share	22	12	9

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	376,283	335,913
Current tax refundable	4	176	-
Investments	7	351,624	-
Receivables	8	100,562	81,630
Total current assets		828,645	417,543
Non-current assets			
Property, plant and equipment	9	822,240	614,782
Intangible assets	10	83,161	5,509
Total non-current assets		905,401	620,291
Total assets		1,734,046	1,037,834
Current liabilities			
Payables	11	68,153	41,727
Interest bearing liabilities	12	59,448	59,488
Current tax liability	4	-	3,145
Provisions	13	48,412	39,367
Total current liabilities		176,013	143,727
Non-current liabilities			
Interest bearing liabilities	12	87,533	135,685
Total non-current liabilities		87,533	135,685
Total liabilities		263,546	279,412
Net assets		1,470,500	758,422
Equity			
Share capital	14	1,113,506	400,000
Retained earnings	15	356,994	358,422
Total equity		1,470,500	758,422

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,062,678	953,645
Cash payments in the course of operations		(941,799)	(840,139)
Interest received		28,888	19,127
Interest paid		(12,394)	(15,583)
Income tax refunded / (paid)		(34,558)	13,447
Net cash flows from operating activities	16b	102,815	130,497
Cash flows from investing activities			
Payments for property, plant and equipment		(239,680)	(44,547)
Payments for intangible assets		(88,455)	-
Purchase of investments		(351,624)	-
Net cash flows from investing activities		(679,759)	(44,547)
Cash flows from financing activities			
Repayment of borrowings		(48,192)	(51,170)
Dividends paid		(48,000)	(36,000)
Issue of share capital		730,250	-
Share issue costs		(16,744)	-
Net cash flows from financing activities		617,314	(87,170)
Net increase / (decrease) in cash held		40,370	(1,220)
Add opening cash brought forward		335,913	337,133
Closing cash carried forward	16a	376,283	335,913

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		400,000	400,000
Issue of share capital		730,250	-
Share issue costs		(16,744)	-
Balance at end of year		1,113,506	400,000
Retained earnings			
Balance at start of year		358,422	324,634
Profit after income tax expense		46,572	69,788
Dividends paid		(48,000)	(36,000)
Balance at end of year		356,994	358,422

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 8 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

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

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

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

Class of asset	Depreciation rate
Computers	15-50%
Plant & equipment	10-25%
Building	2.5%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 10% per annum. Franchise fees have been amortised on a straight line basis at a rate of 20%

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

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

Notes to the financial statements continued

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

Investments

Investments are recorded at cost.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2008 \$	2007 \$
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Note 2. Revenue from ordinary activities

Operating activities

- services commissions	978,541	874,039
- other revenue	2,123	585
Total revenue from operating activities	980,664	874,624

Non operating activities

- interest received	28,888	19,127
- other revenue	-	-
Total revenue from non-operating activities	28,888	19,127
Total revenue from ordinary activities	1,009,552	893,751

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	413,969	309,469
- superannuation costs	36,808	26,446
- workers' compensation costs	1,148	975
- other costs	9,044	11,348
	460,969	348,238
Depreciation of non-current assets:		
- plant and equipment	16,647	10,356
- buildings	15,575	8,204
Amortisation of non-current assets:		
- intangibles	10,803	2,098
	43,025	20,658
Finance costs:		
- interest paid	12,394	15,583
Bad debts	779	940

Note 4. Income tax expense

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

Prima facie tax on profit before income tax at 30%	23,343	32,680
Add tax effect of:		
- Non-deductible expenses / (other deductible expenses)	7,894	6,465
Current income tax expense	31,237	39,145
Income tax expense	31,237	39,145
Tax liabilities / assets		
Current tax refundable	176	-
Current tax payable	-	3,145

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 5. Auditors' remuneration

Amounts received or due and receivable by

Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
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Note 6. Cash assets

Cash at bank and on hand	376,283	335,913
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Note 7. Investments

Listed shares at cost	101,624	-
Managed Investment	250,000	-
	351,624	-

Note 8. Receivables

Commission receivable	99,562	81,630
Sundry debtors	1,000	-
	100,562	81,630

Note 9. Property, plant and equipment

Plant and equipment

At cost	127,605	81,727
Less accumulated depreciation	(38,497)	(25,827)
	89,108	55,900

Furniture and fittings

At cost	63,352	42,676
Less accumulated depreciation	(21,482)	(17,505)
	41,870	25,171

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Property, plant and equipment (continued)		
Land		
At cost	200,000	200,000
	200,000	200,000
Buildings & leasehold improvements		
At cost	515,041	341,915
Less accumulated depreciation	(23,779)	(8,204)
	491,262	333,711
Total written down amount	822,240	614,782
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	55,900	42,502
Additions	45,878	20,398
Depreciation expense	(12,670)	(7,000)
Carrying amount at end of year	89,108	55,900
Furniture and fittings		
Carrying amount at beginning of year	25,171	18,091
Additions	20,676	10,436
Depreciation expense	(3,977)	(3,356)
Carrying amount at end of year	41,870	25,171
Land		
Carrying amount at beginning of year	200,000	200,000
Additions	-	-
Carrying amount at end of year	200,000	200,000
Buildings & leasehold improvements		
Carrying amount at beginning of year	333,711	328,202
Additions	173,126	13,713
Depreciation expense	(15,575)	(8,204)
Carrying amount at end of year	491,262	333,711

Notes to the financial statements continued

	2008 \$	2007 \$
Note 10. Intangible assets		
Franchise fee		
At cost	90,000	10,000
Less accumulated amortisation	(14,834)	(4,834)
	75,166	5,166
Preliminary expenses		
At cost	9,435	980
Less accumulated amortisation	(1,440)	(637)
	7,995	343
	83,161	5,509

Note 11. Payables

Trade creditors	68,153	41,727
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Note 12. Interest bearing liabilities

Current		
Secured loans		
- Land & buildings	59,488	59,488
Non-current		
Secured loans		
- Land & buildings	87,533	135,685

The Land & buildings loan is secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at an average rate of 7.2% (2007: 7.2%).

Note 13. Provisions

Employee benefits	48,412	39,367
Number of employees at year end	13	8

Notes to the financial statements continued

	2008 \$	2007 \$
Note 14. Share capital		
400,000 Ordinary shares fully paid of \$1 each	400,000	400,000
800,000 Ordinary shares fully paid of \$1 each	-	-
730,250 Ordinary shares fully paid of \$1 each	730,250	-
Less shares issue costs	(16,744)	-
	1,113,506	400,000

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

Note 15. Retained earnings

Balance at the beginning of the financial year	358,422	324,634
Profit after income tax	46,572	69,788
Dividends	(48,000)	(36,000)
Balance at the end of the financial year	356,994	358,422

Note 16. Cash flow statement

(a) Reconciliation of cash

Cash assets	376,283	335,913
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	46,572	69,788
Non cash items		
- Depreciation	32,222	18,560
- Amortisation	10,803	2,098
Changes in assets and liabilities		
- (Increase) decrease in receivables	(18,932)	(8,384)
- (Increase) decrease in tax refundable	(3,321)	-
- Increase (decrease) in payables	26,426	37,088
- Increase (decrease) in provisions	9,045	11,347
Net cash flows from / (used in) operating activities	102,815	130,497

Notes to the financial statements continued

Note 17. Director and related party disclosures

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

Mr G M Vickers

Mrs C L Aulich

Mr M Magee

Ms E R Fox

Mr L B Marshall

Mr R McKail

Mr R J Woods

Mr B J Sharman (appointed 18 September 2007)

Mrs J D Hall (appointed 18 September 2007)

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

Directors shareholdings	2008	2007
Mr G M Vickers	2,000	500
Mrs C L Aulich	1,000	100
Mr M Magee	6,000	2,000
Ms E R Fox	-	-
Mr L B Marshall	-	-
Mr R McKail	1,000	-
Mr R J Woods	1,000	-
Mr B J Sharman (appointed 18 September 2007)	3,000	-
Mrs J D Hall (appointed 18 September 2007)	30,000	-

In addition to the 2:1 bonus share issue on 7 November 2007 the movement in Directors shareholdings during the year can be seen above. All shares have a paid up value of \$1 and are fully paid.

Notes to the financial statements continued

Note 17. Director and related party disclosures (continued)

Executive remuneration

	Primary benefits salary & fees \$	Post employment superannuation \$	Other \$	Total \$
Darren Pennington (Branch Manager)				
2008	74,730	6,725	-	81,455
2007	71,686	6,147	-	77,833
Adam Whitworth (Branch Manager)				
2008	27,500	2,475	-	29,975
2007	-	-	-	-
Geoffrey Vickers (Company Secretary)				
2008	60,575	5,483	-	66,058
2007	51,695	4,652	-	56,347

Note 18. Subsequent events

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

Note 19. Contingent liabilities

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

Note 20. Segment reporting

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

Note 21. Corporate information

Upper Yarra Community Enterprise Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

3399 Warburton Highway,
Warburton VIC 3799

Notes to the financial statements continued

	2008 \$	2007 \$
Note 22. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 12 cents per share (2007: 9 cents franked per share)	48,000	36,000
(b) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2007: 12 cents per share)	-	48,000
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	238,508	224,521
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	3,145
- Franking debits that will arise from the refund of income tax as at the end of the financial year	(176)	-
	238,332	227,666

The tax rate at which dividends have been franked is 30% (2007: 30%).

Dividends proposed will be franked at a rate of 30% (2007: 30%).

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 23. Earnings per share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	46,572	69,788
Weighted average number of ordinary shares for basic and diluted earnings per share	1,193,373	400,000

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

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

	Carrying amount	
	2008 \$	2007 \$
Cash assets	376,283	335,913
Receivables	100,562	81,630
	476,845	417,543

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

Notes to the financial statements continued

Note 24. 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 following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	68,153	(68,153)	(68,153)	-	-
Interest bearing liabilities	146,981	(161,958)	(59,488)	(102,470)	-
	215,134	(230,111)	(127,641)	(102,470)	-
30 June 2007					
Payables	41,727	(41,727)	(41,727)	-	-
Interest bearing liabilities	195,173	(222,804)	(59,488)	(163,316)	-
	236,900	(264,531)	(101,215)	(163,316)	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

Sensitivity analysis

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

	Carrying amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	9,430	310,382
Financial liabilities	-	-
	9,430	310,382
Variable rate instruments		
Financial assets	366,853	25,531
Financial liabilities	(146,981)	(195,173)
	219,872	(169,642)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

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

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

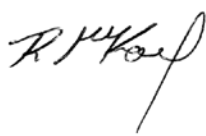
There were no changes in the Company's approach to capital management during the year.

Director's declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Rodney McKail
Chairman

Signed at Warburton, Victoria on 8 September 2008.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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



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

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Upper Yarra Community Enterprise Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Upper Yarra Community Enterprise Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahanty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 8 September 2008

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report follows. The information is current as at 9 October 2008.

Corporate governance practices

In recognising the importance of a strong corporate governance and methodology focus the Board has developed and adopted policies and procedures that will govern the Company into the future. This policy framework will assist in clarifying the future direction of the Company, provide accountability, transparency and ensure there are guiding principals in place for future decision making. Policies relevant to corporate governance include:

- Role of the Board policy
- Financial management policy
- Committees policy
- Share trading policy

Upper Yarra Community Enterprise Ltd has an Audit and Governance Committee; its terms of reference are as follows:

Title	Governance & Audit Committee
Formation	Executive Director Two additional Directors
Meeting frequency	Quarterly
Reports to	Chairman and the Board of Directors
Major purpose	To ensure the accuracy of the Company's financial records.
Key tasks	• Regularly review the financial reporting of the Company. • Report to the Board quarterly on the financial position of the Company. • Ensure that all Directors have a thorough understanding of the Company's performance. • Regularly review areas of potential risk to the Company and report to Board. • Make recommendations to the Board on ways to mitigate areas of potential risk. • Regular monitoring of the corporate calendar. • Ensure completion of all internal and external governance requirements, within the specified timeframe.
Key result area	Financial reporting
Key performance indicator	Accurate, regular information provided to the Board.
Key result area	Risk management.
Key performance indicator	Identification and mitigation of areas of potential risk.

BSX report continued

Title	Governance & Audit Committee
Key result area	Compliance with all legal and fiduciary responsibilities.
Key performance indicator	All areas of compliance are completed as required, within the specified timeframe

Substantial shareholders – Ten largest shareholders

Name	Units	% of issued capital
Mr Richard Everitt Thorne	59,100	3.06
Mr Stanley Frederick Peate	30,000	1.55
Mr Stephen Istvan Raskovy	30,000	1.55
M John Ridley + Mrs Patricia Ridley	22,500	1.17
Mr Noel William Arnold	21,600	1.12
Allindara Pty Ltd	15,750	0.82
Warburton	15,750	0.82
Mr Gordon Stewart Buller	15,000	0.78
Mrs Raylene Lesley Chisholm	15,000	0.78
Mrs Lois Ellis	15,000	0.78

Distribution of shareholders

Range	Total holders	Units	% issued capital
1 - 1000	179	110720	5.74
1001 - 5000	309	765280	39.65
5001 - 10000	83	672050	34.82
10001 - 100000	20	382200	19.8
100001 - 9999999999	0	0	0
Rounding			-0.01
Total	591	1930250	100

There are 0 holders of unmarketable parcels of shares.

BSX report continued

Address and telephone number of office at which securities register is kept:

Computershare Investor Services Pty Limited
Essential Registry Team
Yarra Falls
425 Johnston Street,
Abbotsford VIC 3067
Phone: 1300 738 341
Fax: (03) 9473 2563
Email: essential.registry@computershare.com.au

Registered office and Company Secretary details

Geoffrey Vickers
Upper Yarra Community Enterprise Limited
3399 Warburton Highway,
Warburton VIC 3799
Phone: (03) 5966 9028
Fax: (03) 5966 2740
Email: geoffvickers@warburtons.own.net.au

Warburton **Community Bank**[®] Branch
3399 Warburton Highway, Warburton VIC 3799
Phone: (03) 5966 2122 Fax: (03) 5966 2144

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

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

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8054) (09/08)