



8/08/2018

After four months in the role as Chairman of the Upper Yarra Community Enterprise Board I think it is timely to provide an update on where we are at and the challenges and opportunities looking forward.

The year in review and looking forward - June 2018

### Financial performance

Overall the year was a successful one. Although our gross revenues and profits fell marginally, this will impact further in the 2018/19 period when our budgeted income is projected to reduce by a further \$130,000. Some of the factors that are impacting us include:

- We continue to experience some maturing of business in the Warburton branch which has reduced our loan book by up to 30% from historic highs, whilst deposits are at an all-time high.
- Competition within the banking industry continues to provide challenges
- Increased checks and balances are being introduced in response to the banking royal commission.
- We continue to operate in a period of historically low interest rates.
- 2017/18 is the final year of the funds transfer pricing top up introduced by Bendigo Bank two years ago.

Despite this softening in profit, the 2016/17 year's dividend remained at 5.5 cents. The dividend, which was fully franked, was paid in October 2017. As a result of the ongoing financial pressure the dividend for 2017/18 will be 5.0 cents, fully franked. It is difficult in the foreseeable future to anticipate any growth of the dividend beyond this level, in fact it may be challenging to maintain it.

In response to these financial challenges, in addition to the steps set out below, the Board will be undertaking a critical review of all income and expenditure throughout the second half of 2018 to maximise our financial performance moving forward.

### Community Investment Fund (CIF)

Contributions for the year 2017/18 totalled \$281,000 compared to \$284,000 in the previous financial year. The provision for the 2018/19 financial year is \$181,000. The balance of the Community Enterprise Foundation fund as at 30 June 2018 is \$96,000. Whilst this fund is lower than previous years it is still a substantial contribution to the community annually. The accumulated benefit of the CIF will exceed \$4 million by the start of 2019.

**Upper Yarra Community Enterprise Limited**

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This is in addition to other projects supported by UYCE such as The Warburton Waterwheel Visitor Information Centre, our substantial Community Development program, support for the Warburton Valley Community Economic Development Association (CEDA), assistance with the Warburton Mountain Bike Destination Project and delivery of the Ythan Creek Micro-Hydro Project.

### Governance

During the year, we have had considerable changes in the makeup of the Board. In addition to the sad loss of our Chairman Peter Kimberley we received 3 resignations, Jaqui Hall, Joy McConachy and Sarah Ward-Brumhead. I would like to thank each of these wonderful people for their tireless efforts, and volunteer work for our local community.

Following an extensive Expression of Interest process, we recruited 5 new Board members, Myself - Rodney McKail (Chair), Neil Jorgenson, Sue Clarke, Hazel Clothier and David Schloeffel. The new Board members bring a broad range of skills and experience to the team and have already made a valuable contribution. All five new Directors will be up for election at the AGM in November 2018, along with other Directors in line with our rotation policy.

Throughout the year the Board has also undertaken an independent Governance Review of its operations. Having been operating now for more than 18 years and following significant growth in the business and its business activities, it was timely to do so. A total of 20 recommendations came out of the review and the Board has been working through these progressively. This work will continue over the next 12 months and beyond.

The full Board meets 11 times a year, but much of their work is done in committees, that meet regularly or as required. Our committee structure, which was revised through the Governance review, allows the work of the Board to be more evenly spread among all volunteer Directors.

### The Road Ahead

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

The transaction element of banking continues to evolve as our customers increasingly transact online. Over-the-counter transactions continue to trend downwards, as do ATM transactions. 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.

To mitigate the changes in 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 must come from new customers, but also from our existing customers. A focus of the Board over the coming months and years is how we capture and retain this business. This needs to be done through a measured and strategic approach.

### Other Matters

Firstly, The Warburton Mountain Bike Destination Project. This is an initiative of the Yarra Ranges Council and has the potential, with Stage one funding now secured, to change the face, and the economic prospects, of the whole of the Yarra Valley.

We are aware of concerns that have been raised by some shareholders and customers and understand that Council is working through a consultative process to address as many of the concerns as practicable. On balance we continue to support this project.

In regard to our commitment of \$300,000 to the project, we are currently in discussions with Council on specifically how the funds will be spent. It is anticipated that the focus of these funds will be on delivering identifiable outcomes that will support the local community. Upper Yarra Community Enterprise Limited continues to be represented on the Project Steering Committee.

Secondly, we are very pleased to see that the Ythan Creek Hydro project will be fully operational later this year. This project has been delivered by Upper Yarra Community Power (UYCP), a fully owned subsidiary of UYCE. Congratulations must be extended to the Board members of UYCP for delivering this innovative and challenging project, with the support of the Warburton Golf Club, Yarra Ranges Council, Powershop and various other project partners.

The total cost for this project exceeded budget and the capital cost is now forecast to be \$1,185,000. This is funded by way of a \$450,000 grant from the Victorian Governments New Energy Jobs Fund, a \$450,000 loan from Bendigo Bank guaranteed by UYCE and equity from UYCE of \$285,000.

Finally, I would like to take this opportunity to thank all our customers and shareholders for their continuing support, which is so important in enabling us to contribute to the enrichment of our communities.

More details will be available in the 2017/18 Annual report.

Rod McKail  
Chair – Upper Yarra Community Enterprise