

Upper Yarra Community Enterprise Ltd

Shareholder information bulletin – May 2020

Greetings to all of our UYCE shareholders and I hope this finds you well and safe in these unprecedented times. As a Board we have committed to regularly update our shareholders on how we are performing. Our intentions are to have a shareholder information session once a year in addition to the Annual General Meeting. Due to the pandemic a meeting is not possible this year so we will present an update in written form.

This update will cover a number of issues that may be of interest to you:

1. 20th year celebration
2. Response to COVID-19
3. Company restructure
4. Hydro update (Upper Yarra Community Power)
5. Warburton Waterwheel Ltd
6. 2020-24 strategic plan
7. Company performance and ongoing performance indicators

20 Year Celebration

In February we celebrated the 20th Birthday of UYCE and the Warburton Branch as well as the 12th birthday for Yarra Junction. We conducted a free community sausage sizzle at both branches to thank our wonderful shareholders and customers. Board members took on the role as chief cooks and there were lots of giveaways and a cutting of a cake at both sites. This was designed as a thank you for the ongoing support to the company.

In the evening we conducted a celebration at the Warburton Waterwheel. All previous Board Directors and current staff were invited to celebrate this special achievement. It was an outstanding evening with lots of banter and reminiscing. We also took the opportunity to celebrate Ros Caneva achieving 20 years' service with the company.

Part of the celebration, and to be a lasting commemoration was the installation of a 24-hour accessible Defibrillator at the front of each Community Bank Branch. This has been done in partnership with the local Yarra Junction Ambulance Service as a gift of thanks to the community for their ongoing support.

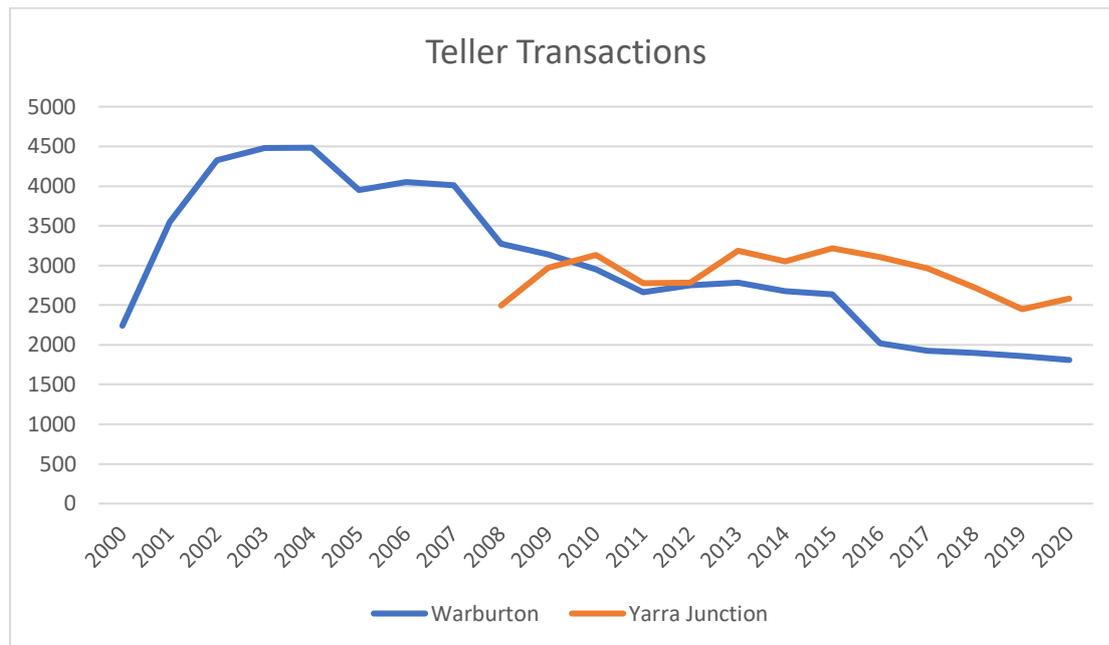
Response to Covid-19

There is no doubt that the Covid-19 pandemic has had a significant impact on the way we do business. I would like to take this opportunity to extend our collective thanks and gratitude to the wonderful staff for the manner in which they have approached the many challenges over the last couple of months. The leadership of Kristy Sumner, our Branch Manager, through this time has also been outstanding. As an essential service, we have endeavoured to provide a safe environment for customers and staff.

I would also like to thank our customers for their understanding and patience over this time.

It is anticipated that Covid-19 will change the way that banks operate into the future. Counter and ATM transactions have been steadily reducing over the last couple of years. The following table

provides an example of how teller transactions have changed in recent years, this is prior to any ongoing impact from Covid-19.



Throughout the pandemic, many customers have come to terms with cashless transactions and on-line banking, and it is anticipated that many of them will continue to operate in this way after the pandemic. Whilst this has been a trend for some time, we need to be proactive and ensure that our structure and staff are prepared for this change to ensure we are responding to this changing dynamic.

Company Restructure

Due to a number of changes in staff at both corporate and Branch level, the Board took the opportunity to undertake a minor restructure of the organisation. With Kristy Sumner at the helm the branch rosters have been modified so that we are well placed to cope with the ongoing changes to the way we transact our business.

At the Corporate level the Board have appointed myself as Managing Director (MD) supported by June Petrie and Suyin Chan in administrative roles. The MD role has been created in accordance with the company constitution and is a paid position for 1 day per week. I have accepted this role and look forward to working with the team and supporting the Company both in the role as Chair and MD into the future.

Hydro Project

We are about to complete the first full financial year operation of the Hydro. For the financial year we will average an output of 61kw every hour of every day. This is equivalent to powering 61 houses for the year and has saved an estimated 637 tonnes of carbon dioxide from being released into the atmosphere.

The budget forecast predicts that we will make a small profit for the year, after all expenses are accounted for, which is a pleasing result. It is important to recognise the Board of Upper Yarra Community Power for all of their hard work and volunteer hours in managing the operation of the

plant. The Board is chaired by Luke Whiteside, and also consists of Nick Killey, Neil Jorgenson, Ric Butler and Garry Lewis (Rodney McKail, Company Secretary).

Warburton Waterwheel Ltd

UYCE continue to provide a significant in-kind contribution to the Warburton Waterwheel through the coordination of the centre and support to the volunteers; as well as two UYCE Board directors holding positions on the Warburton Waterwheel Ltd Board. The Centre provides tourist information, an Artists Gallery, a retail space showcasing local handmade products, and an Indoor Forest Environment and Education centre. Currently it is closed until further notice due to the COVID-19 government restrictions.

2020-24 Strategic Plan

Over the last 12 months the Board has put considerable time and effort into the development of a 2020-2024 Strategic Plan. The plan was adopted in November 2019. This is now a regular agenda item each month for the Board to monitor its progress.

Whilst I won't go into the full detail of the aspirational Plan, the three main priorities are as follows:

1. People – we would like to be recognised as an employee of choice, with staff being proud of working for our organisation and the driving force in targeting our local Upper Yarra Community – where our future growth lies.
2. Brand – We would like to be recognised as a leading example of what can be achieved in a community enterprise model; having a strong reputation and with shareholders being proud of their investment.
3. Business – we will focus on the following:
 - a) Improved turnover and business performance.
 - b) Growth of Community Investment.
 - c) Hydro is viable and running profitably.
 - d) Waterwheel Centre is self-sustaining and commercially viable.
 - e) The Mountain bike hub project has been delivered and is successful.

For each of these priorities there are specific tasks, activities and success indicators to support achievement of the goal over the 4-year life cycle of the plan. We have developed an implementation plan which focuses on the first 12 months.

One of the specific tasks in year one of the strategy is to undertake a survey of shareholders, and you should have received this survey recently by email or post. The survey closes on 3 June and I thank those that have taken the time to provide your feedback.

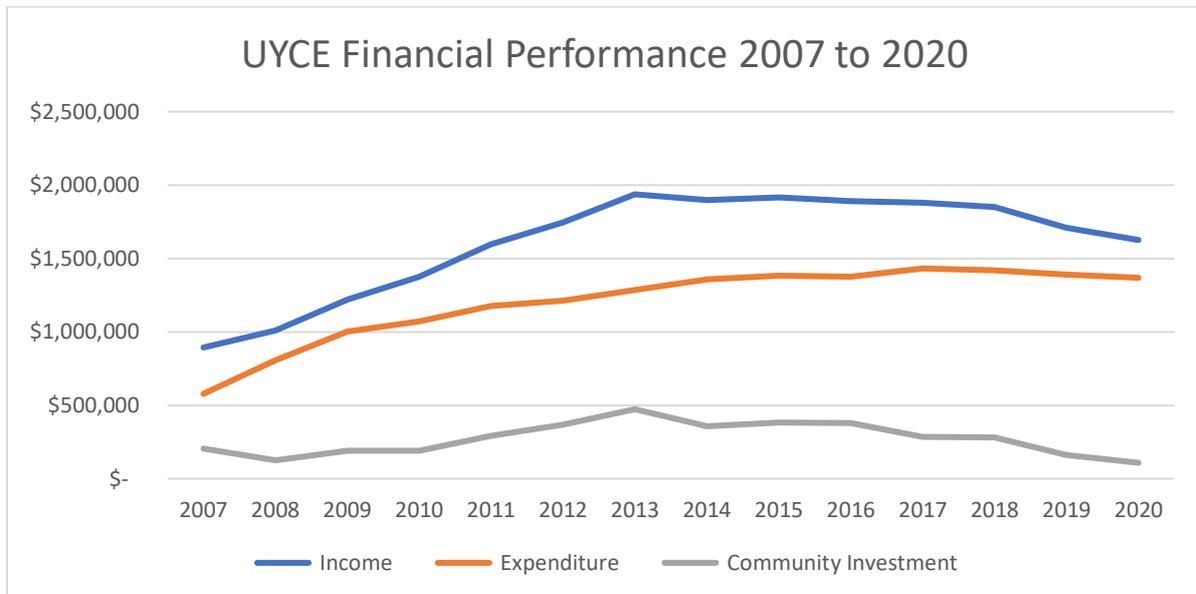
I would like to take this opportunity to extend special thanks to one of our Directors, David Schloeffel, for his expertise in leading the Board through the development of the Strategic plan. As a Board we are committed to working towards achievement of our goals in the plan.

Company performance and ongoing performance indicators

Firstly, I can confirm that the Board has entered into a new franchise agreement with Bendigo for our two Branches which, including extension options, take us up to 2035.

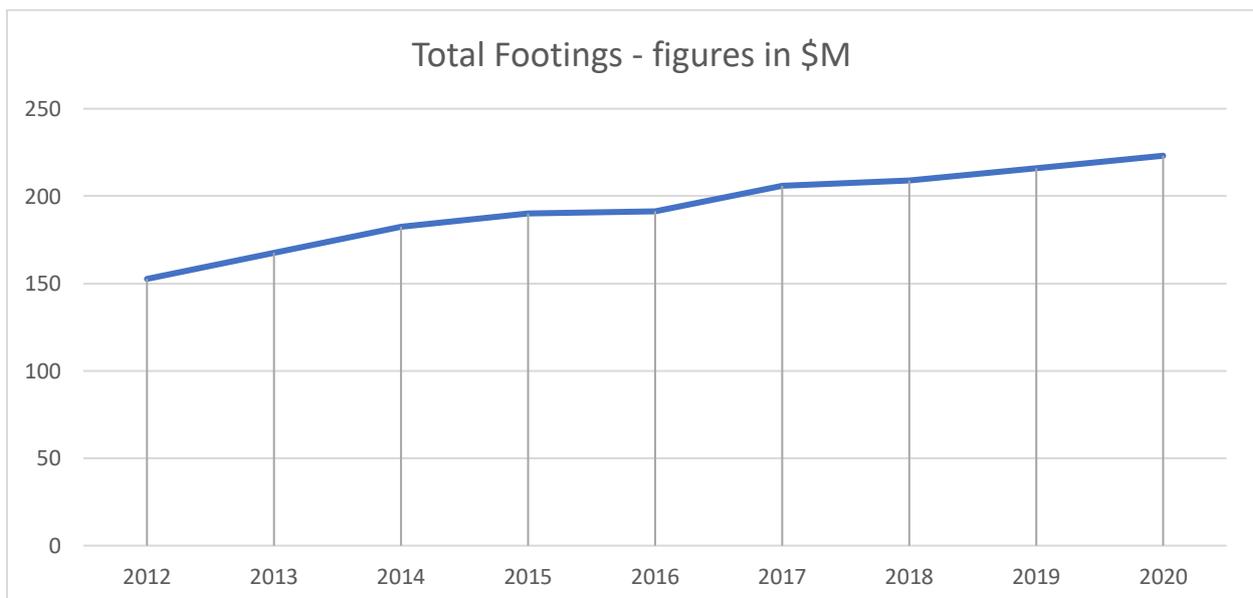
Overall, we have performed well financially in 2019/2020. The following trend table provides a comparison between income, expenditure and our Community Investment fund over the last 13 years. (2020 figures are forecast only). The Community Investment contribution in 2020 was at its

lowest level since 2007, but still a substantial contribution at \$105,000. We have made a decision to defer the July 2020 round to later in the year so that we are well placed to support groups as we recover from the impact of the pandemic.

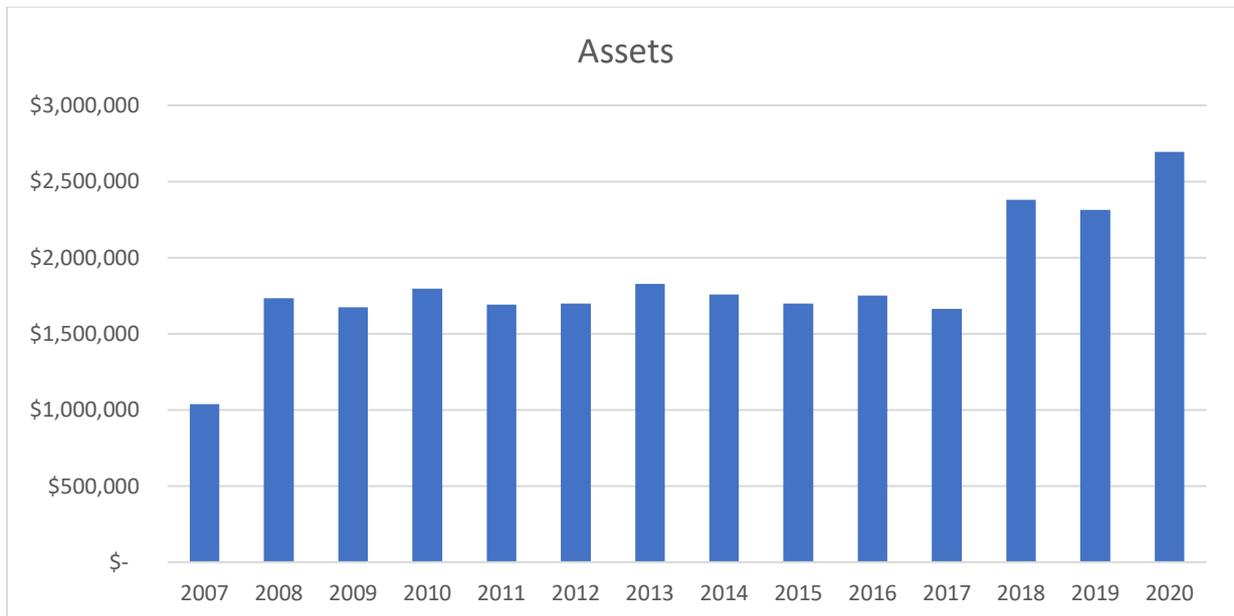


Interestingly, as can be seen from the following table, income is reducing despite a steady growth in the overall level of business (total of Deposits and Loans known as footings). This is due to a number of factors:

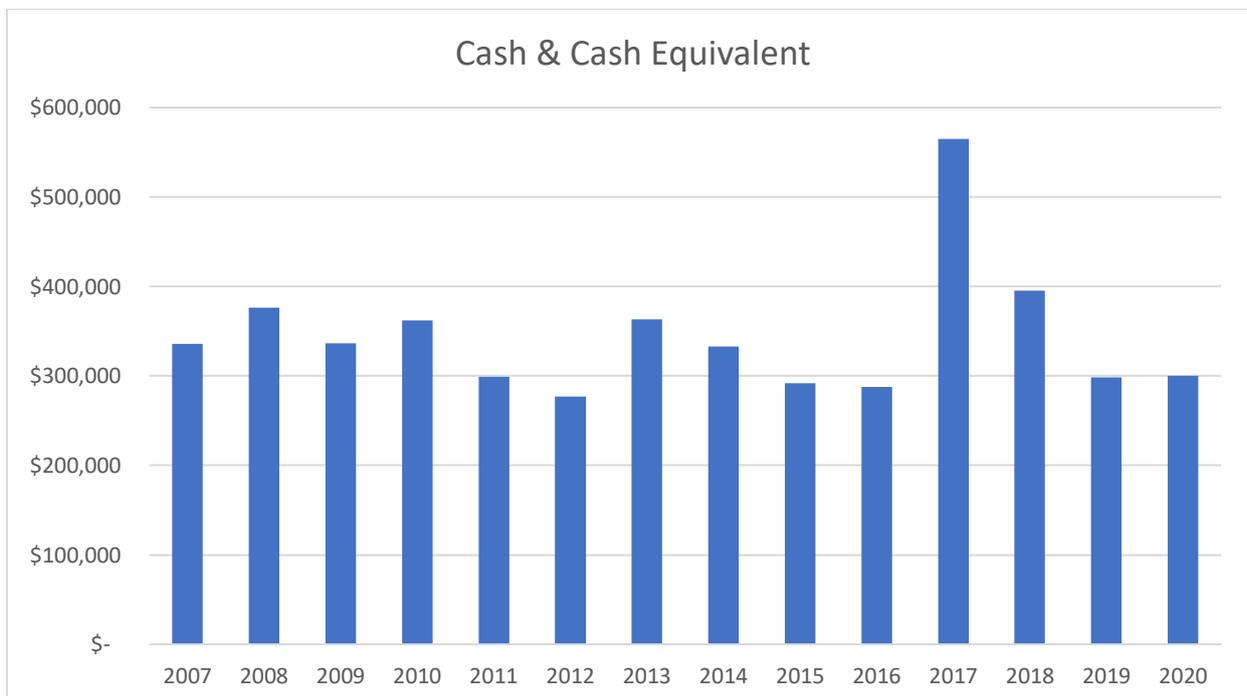
- Reduced margins due to historically low interest rates and greater competition;
- Changes in profit share arrangements with Bendigo Bank;
- Change in mix of products (Increase in deposits and decrease in loans)



Our objective, which is incorporated into our strategic plan, is to increase the growth in footings and continue to manage our expenses. It is also important that we continue to grow our balance sheet. This has shown positive growth in recent years as a result of the Hydro project (as a fully owned subsidiary of UYCE) and a revaluation of our branch at Warburton.



A further priority is to build our cash reserves, particularly given our \$300,000 commitment to the mountain bike project. The following table provides details of our position over the years. Apart from 2017 and 2018, which are inflated by income held for the development of the Hydro project, our reserves have been relatively low. We will look to build this over the coming years.



I hope this assists shareholders in understanding where we are at as a Board and a company. I would take this opportunity to thank all of our Volunteer Directors, listed below, for the time and commitment they make to our organisation.

Sally Brennan (Deputy Chair), Elizabeth Fox, Neil Jorgensen, Hazel Clothier, David Schloeffel, Sue Clark, Garry Lewis, Anne O'Shaughnessy and Ric Butler.

The highest compliment you can give us is the referral of a new customer or shareholder, and we thank you in advance for doing so wherever opportunities arise. As we move out of the pandemic, it

will be important that we continue to look out for each other, do the right thing and abide by the advice we receive from government. I wish you well through this time and look forward to your ongoing support.

We hope that we will be able to come together for our Annual General Meeting held annually in November. In the meantime, please stay up to date with our news by following us on Facebook, and regularly visiting our UYCE website.



<https://www.facebook.com/WYJCommunityBank/>

www.upperyarra.net.au

Lastly a reminder to please keep us informed of any changes to your contact details whether mailing address, email address or bank account details for direct credits. Forms are available on our website or you can contact our office to request them.

Kind regards

R McKail

Rod McKail
Chair
Upper Yarra Community Enterprise Ltd