

# Upper Yarra Community Enterprise Limited

ABN 54 090 252 627

Warburton Community Bank Branch  
Yarra Junction District Community Bank Branch



## 2019 Annual Report

# Contents

<b>Chair's report</b>	<b>2</b>
<b>Executive Officer's report</b>	<b>4</b>
<b>Directors' report</b>	<b>8</b>
<b>Auditor's independence declaration</b>	<b>12</b>
<b>Financial statements</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>17</b>
<b>Directors' declaration</b>	<b>49</b>
<b>Independent audit report</b>	<b>50</b>

**Feature centre – Supporting our community**

# Chair's report

For year ending 30 June 2019

Welcome to the Upper Yarra Community Enterprise Limited Annual Report for the year ending 30 June 2019. As Chairperson it is my privilege to present this information to you.

For the second year in a row this report represents a consolidated set of accounts for the operations of Upper Yarra Community Enterprise Limited (UYCE) and Upper Yarra Community Power Pty Ltd (UYCP), as a wholly owned subsidiary of UYCE. A consolidated report format is required to not only meet our reporting obligations with ASIC, but also ensure you as shareholders are appropriately informed of the operations of UYCE and its wholly-owned subsidiaries.

The bank business continues to operate profitably although there are ongoing challenges that we must regularly focus on. As reported last year the key factors are:

- Reduced community support for banking services over time, particularly at Warburton;
- Increased checks and balances within the banking system due to the royal commission;
- Historic low interest rates;
- Funds Transfer Pricing – that is a change in the profit share arrangement with Bendigo and Adelaide Bank Limited which took full effect for the first time in 2018/19.

Over the year we have experienced substantial changes and turnover of staff, both within UYCE and Bendigo and Adelaide Bank Limited. This has been challenging and disruptive to services. I would like to acknowledge the fantastic effort of our great staff through this difficult time.

Unfortunately the Mini Hydro project is not performing in line with the original business case and is not anticipated to provide a return on investment for some time. This is due to a number of factors:

- Since going live, record low rainfall and associated creek flows;
- Increased construction and operational costs;
- Reduction in income from Tariffs and from Renewable Energy Certificates generated.

Overall whilst not performing to expectations, we have achieved a positive impact on the environment increasing self-sufficiency and demonstrating leadership in sustainability. The project has been successful in winning a number of State based environmental and engineering awards and was a finalist in a number of national awards.

## **The year in review and looking forward - June 2019**

### Financial performance

Overall banking operations had reduced income of \$177,016 from the previous financial year. This was mainly due to a reduction in profit share through our Bendigo and Adelaide Bank Limited franchise agreement. We have been aware of this for some time and accordingly offset this by reducing the funds available through the Community Investment Program. Profits from banking operations for the year was marginally down on the previous year. The budget for 2019/20 is forecasting a similar margin for 2019/20.

The profit from Hydro operations for the year was largely due to cashflow, having received grant funds of \$150,000 during the year, a portion of which was expended in the previous financial year. The 2019/20 budget for the Hydro is predicting a small deficit. This will be largely dependent on rainfall and income from tariffs and REC's that are very difficult to forecast.

The dividend of 5.0 cents per share for the year, which was fully franked, was paid in October 2018. It is anticipated that the dividend for 2018/19 will be approximately 25% less than the current year, consistent with the reduction in the Community Investment Program.

# Chair's report (continued)

## Community Investment Fund (CIF)

Contributions for the last three years were \$281,000, \$284,000 and \$160,00. The provision for the 2019/20 financial year is further reduced to \$150,000. The balance of the Community Enterprise Foundation™ fund as at 30 June 2019 is \$49,918.74. Whilst this fund is lower than previous years it is still a substantial contribution to the community. The accumulated benefit of this fund exceeds \$4 million.

## The Board, Board Committees and Management

During the year, we had a number of changes in the makeup of the Board. Michael Janssen left after two years service. In addition, Geoff Vickers left as a Director and Executive Officer. Geoff was an inaugural member of the Board and had served 13 years as Executive Officer. I would like to thank each of these wonderful people for their tireless efforts, and volunteer work for our local community.

The Board meets 11 times a year, but much of their work is done in committees that meet regularly or as required. Our committee structure allows the work of the Board to be evenly spread among all volunteer Directors. It has been a particularly busy year for committees.

I would like to thank Directors for their support over the year. The last 18 months has been particularly challenging and a huge learning experience for us all. It can be a thankless task at times. I feel privileged to be working with such a dedicated group who are happy to volunteer their time on behalf of the community.

Our Banking Manager Adam Whitworth left after three years' service with UYCE, to take on another role within the Bendigo network. I would like to thank Adam for his commitment over the years and wish him all the best in the future.

We welcomed two new senior staff. Suzanne Phoenix has taken on the role of part-time Executive Officer and Aaron Hogan commenced in a Mobile Relationship Manager's role. I look forward to working with Suzanne and Aaron over the upcoming year. Carla Nobes commenced 12 months maternity leave in February 2019 and I congratulate Carla and Josh on the arrival of their daughter.

These vacancies provided an opportunity to review the structure of the business. This will be ongoing into the new year as we ensure that our structure is the best fit to carry our business moving forward. A special thank you to all the staff for their support and patience, in particular Emily Sharp and Dan Mathers who stepped up into acting senior roles during the transition period.

## The road ahead

The banking business around the world continues to change as technology evolves.

Customers are increasingly transacting 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 these 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 outlook of the Board has not changed, as we anticipate that growth in our business base will come from new customers, but also from our existing customers. An ongoing focus of the Board is how we capture and retain this business.

Finally, I would like to take this opportunity to 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.



**Rod McKail**  
Chair

# Executive Officer's report

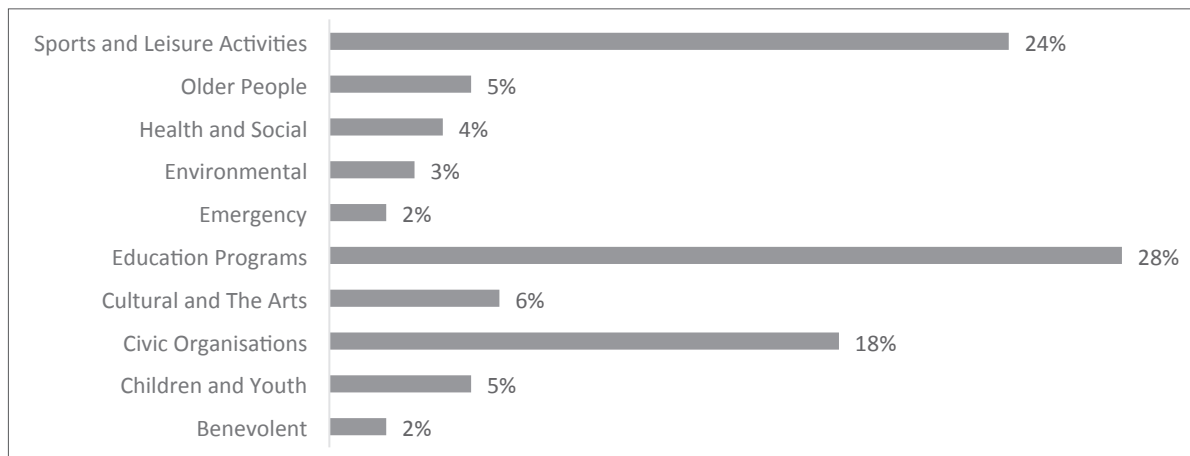
For year ending 30 June 2019

This is my first report for Upper Yarra Community Enterprise Limited (UYCE) after commencing as Executive Officer in April 2019, following Geoff Vickers departure. I have big shoes to fill but I feel privileged and excited to be working for a company that benefits my local Upper Yarra area in so many ways.

## Community Investment Program

In 2020 UYCE will celebrate its 20th anniversary. It started with Warburton Community Bank in 1999 and then extended to Yarra Junction District Community Bank in 2008.

Through our Community Investment Program, at the end of the 2019 financial year, UYCE has reinvested more than \$4 million back into the local community. The community has benefited from more than 1,000 projects for over 300 local community groups and organisations. We take pride in knowing we support essential community activities and assets that include:



This year saw the following organisations benefit from our Community Investment Program, either directly or in partnership with the Community Enterprise Foundation™.

Organisation	Project or event	Amount \$
UYCE Annual Scholarship (\$5,000)	Scholarship	5,000
Youth Initiative Awards (\$1,000)	Youth Initiative Award	1,000
Warburton PS	Ongoing Sponsorship	4,800
Wesburn PS	Ongoing Sponsorship	4,880
Millwarra PS	Ongoing Sponsorship	9,280
Gladysdale PS	Ongoing Sponsorship	4,640
Yarra Junction PS	Ongoing Sponsorship	6,240
Little Yarra Steiner School	Ongoing Sponsorship	6,720
Upper Yarra Secondary College	Ongoing Sponsorship	9,360
Powelltown FNC	Ongoing Sponsorship	4,000
Warburton Millgrove FNC	Ongoing Sponsorship	4,000
Yarra Junction FNC	Ongoing Sponsorship	4,000
Wesburn Junior FC	Ongoing Sponsorship	2,400
Warburton Bowls Club	Ongoing Sponsorship	3,200



## Executive Officer's report (continued)

Organisation	Project or event	Amount
Yarra Junction Bowls Club	Ongoing Sponsorship	3,200
Yarra Junction Cricket Club	Ongoing Sponsorship	1,200
Warburton Cricket Club	Ongoing Sponsorship	2,400
Yarra Valley Soccer Club	Ongoing Sponsorship	4,000
Warburton Golf Club	Ongoing Sponsorship	4,000
Warburton Valley CEDA	Ongoing Sponsorship	4,000
Warburton Tennis Club	Ongoing Sponsorship	4,000
Youth Foundation Behind Bars	Ongoing Sponsorship	1,980
UY Playgroup Network	Ongoing Sponsorship	12,800
The River Folk Festival Auspicious Arts Projects Inc	The River Folk Festival 2019	3,800
Warburton Advancement League	Warburton Summer Produce Market	1,500
Gladysdale Hall Committee	Celebrating Gladysdale	2,000
Millgrove residents action group inc	maintenance of parks and river walks	4,600
Yarra Junction Junior Netball Club	Affordable netball	1,500
River Valley Church	Good Tucker Day	1,200
Warburton Up & Running	Warburton Up & Running	1,000
Yarra Junction Table Tennis Club (Keenagers)	10th Tournament	2,326
Upper Yarra Anglican Parish	Stump up for St Mary's Hall	* 10,000
Adventcare	Resident's Bus	* 33,000
Voices of Women Incorporated	Voices of Women Choir	1,667
Catprint Warburton Theatre Productions	Journey to the Past	3,640
Woods Point Gun Club Inc	The Future Is Bright	2,400
Upper Yarra State Emergency Service	Refurbishing	1,743
ADRA Redwood Community Centre	Friday Fitness	2,310
Tour de Trails	Warburton Trail Fest	2,000
Yarra Valley ECOSS	Ecotopia Earth Festival 2019	2,000
ADANAC CYC	Adanac Turbo Community Kids Camp	2,000
St Vincent de Paul	Christmas toys and hampers	800
Yarra Ranges Council	L2P	3,000
Upper Yarra Musicians Collective	Youth Music Mentoring Program 2019	1,300
The Girls Movement	Cinema Under the Stars	2,000
Upper Yarra Body Image Group	Weight Paradigms of Health Seminar	2,500
Yarra Ranges Film Society	Warburton Film Festival	2,500
Upper Yarra Valley Historical Society	Crank up 2019 attractions	2,000
Youth Scholarship		1,000

\* Community Enterprise Foundation™

## Executive Officer's report (continued)

### Warburton Mini Hydro

Further to the Chair's report, UYCE has also supported the community project Ythan Creek Power Station Warburton Hydro otherwise known as the Mini Hydro project. This is managed by Upper Yarra Community Power Pty Ltd (UYCP), as a wholly owned subsidiary of UYCE.

The Hydro scheme was inspired by a long history (over 100 years) of hydro electricity in Warburton with a group of locals steadily working towards our own clean, green power station on the Ythan Creek for over nine years. The power station is small and required no invasive infrastructure such as dams and is completely owned by the community.

Funding of \$450,000 was acquired through the State Government's New Energy Jobs Fund and auspiced by Yarra Ranges Council in 2017. A further \$450,000 loan to UYCP from Bendigo and Adelaide Bank Limited was undertaken to fund the project. The final costs for the project were approximately \$1.3 million. It was completed and commenced operations in October 2018.

Below is the Profit and Loss for both UYCE and UYCP for the 2018 - 2019 period to show further breakdown from the audited accounts.

### Profit and Loss Consolidated 1 July 2018 to 30 June 2019

	UYCE \$	UYCP \$	Consolidated \$
<b>Revenue</b>			
Bank revenue	1,684,932		1,684,932
Feed in Tarrif		27,015	27,015
NEJF - Grants		150,000	150,000
Other income	25,046		25,046
<b>Total Revenue</b>	<b>1,709,978</b>	<b>177,015</b>	<b>1,886,994</b>
<b>Expenses</b>			
Employee benefits expense	978,248		978,248
Depreciation and amortisation	36,588	73,266	109,854
Finance costs	18	13,822	13,840
Bad and doubtful debts expense	5,050		5,050
Administration and general costs	181,292	29,082	210,374
Occupancy expenses	92,203	15,487	107,690
IT expenses	73,819		73,819
ATM Expenses	21,731		21,731
	<b>1,388,949</b>	<b>131,657</b>	<b>1,520,606</b>
<b>Operating profit before charitable donations &amp; sponsorship</b>	<b>321,029</b>	<b>45,358</b>	<b>366,388</b>
Charitable donations and sponsorships	160,380		160,380
<b>Profit before income tax</b>	<b>160,649</b>	<b>45,358</b>	<b>206,008</b>
Income tax expense	43,041	11,277	54,318
<b>Profit for the year after income tax</b>	<b>117,608</b>	<b>34,081</b>	<b>151,690</b>

## Manager's report (continued)

### **Warburton Waterwheel**

UYCE continue to provide a significant in-kind contribution to the Warburton Waterwheel, the Upper Yarra's Visitors Information Centre, through the coordination of the centre and management of the volunteers. The Waterwheel is the official site for tourism in the Warburton Valley and provides tourist information, an Artists Gallery, an Indoor Forest/Environment Centre and showcases locally handmade artists through a retail space with their works.

I would like to express my thanks to the UYCE Board for their support and guidance and also to all the branch staff and my colleagues in the corporate team. All those that work and volunteer with UYCE are dedicated and committed to our community and continue to make a significant contribution to the Upper Yarra region through our enterprise.



**Suzanne Phoenix**  
**Executive Officer**



# Directors' report

For the financial year ended 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

## Directors

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

Directors	Details
Rodney McKail (Chairman)	Rodney was employed in Local Government for over 40 years. He worked at the Upper Yarra Shire & Lilydale Shire (now Yarra Ranges) and Knox City Council, predominantly in the Governance area. He is currently contracting to Local Government as a governance advisor on a part time basis.
Geoff Vickers (Resigned 1 February 2019)	Cert III Financial Services, Cert IV Community Services, Cert IV Training & Assessment, Geoff was a member of the Steering Committee and was employed as Executive Officer until February 2019. He previously operated his own business in Horticultural Crop Protection for 10 years.
Elizabeth Fox	BBS, Post Grad Diploma Psych, Post Grad Diploma Teaching, Secondary MA Special Ed Elizabeth is co-ordinating the Education Support Department at Tintern Girls Grammar. She previously worked at Upper Yarra Secondary College for 18 years.
Chris Brown (Resigned 3 June 2019)	B Ec., CPA Chris is CEO of Kooyong Lawn Tennis Club and was a Director of Board of Billanook College. He has been involved in a number of local community groups and sporting bodies.
Sally Brennan	Bachelor of Adult Learning and Development, Masters of Education, GAICD. Sally has been involved in a broad range of community activities including CEO Upper Yarra Community House (now Cire Services), Secretary/Treasurer Yarra Junction Football Netball Club, President Gladysdale Hall Committee and is currently serving as Deputy Chair of the UYCE. She is a member of several Boards, including the Adult Community and Further Education Board and Adult Learning Australia. She works at Swinburne University.
Hazel Clothier	FIBMS, MScInfDis, MAppEpi, MAICD Hazel is a Public Health epidemiologist specializing in Infectious disease surveillance and vaccine safety. Hazel has been an active volunteer firefighter with the Warburton Fire Brigade for over 10 years and was awarded the National Emergency Medal for services in the 2009 Black Saturday fires. She has been Captain of the Brigade since 2014. Hazel is also a Board member of the Country Fire Authority and a member of the Australian Institute of Company Directors.
David Schloeffel	MA (Comms), FPRIA, GAICD David has been working to help improve Australian business for 35 years, in his own consultancy work and now as a Business Design Adviser for the Australian Government's 'Entrepreneurs' Program'. He also lectured for 20 years in post graduate business programs, most recently with RMIT

# Directors' report (continued)

## Directors (continued)

Directors	Details
Sue Clarke	B.Bus (RMIT), Certified Practicing Accountant (CPA), Public Practice Certificate, Registered Tax Agent. Sue brings a wealth of knowledge and experience to the Yarra Valley and is passionate about financially empowering locals in the region through her accounting business, The Yarra Valley Accountant. She is also actively involved in the community and has assisted community groups on a volunteer basis.
Neil Jorgensen	Bachelor of Education and Diploma of Teaching. Recently retired after 43 years with the Department of Education in various teaching roles and responsibilities including 25 years as a school principal.
Michael Janssen (Resigned 1 August 2018)	Masters in Applied Science, Bachelor of Theology.. Michael has previously been General Manager of EACH Social & Community Health. He was also a member of Yarra Ranges Health & Wellbeing Advisory Committee and has interests in community development.

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:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Rodney McKail (Chairman)	12	12	4	4
Geoff Vickers (Resigned 1 February 2019)	7	7	1	1
Elizabeth Fox	12	10	N/A	N/A
Chris Brown (Resigned 3 June 2019)	12	10	4	4
Sally Brennan	12	9	N/A	N/A
Hazel Clothier	12	8	3	1
David Schloeffel	12	9	N/A	N/A
Sue Clarke	12	12	4	4
Neil Jorgensen	12	8	N/A	N/A
Michael Janssen (Resigned 1 August 2018)	1	0	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

# Directors' report (continued)

## **Company Secretary**

Rodney McKail has been appointed as the Company Secretary in February 2019 on Geoff Vickers resignation. Rodney was employed in Local Government for over 40 years. He worked at the Upper Yarra Shire, Lilydale Shire (now Yarra Ranges) and Knox City Council, predominantly in the Governance area.

## **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 group for the financial year after provision for income tax was \$151,690 (2018 profit: \$306,496), which is a 50.5% decrease as compared with the previous year. The reduction in profits is largely due to less Grants received for Upper Yarra Community Power Pty Ltd.

## **Dividends**

A fully franked final dividend of 5 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

## **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.

The company has made a commitment of \$300,000 grant to the Warburton Mountain Bike Destination Project. The grant is payable in next 12 to 24-month period.

## **Environmental regulations**

The company is not subject to any significant environmental regulation.

# Directors' report (continued)

## **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.

## **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 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Warburton on 2 September 2019.



**Rodney McKail**  
**Chairperson**

# Auditor's independence declaration



41A Breen Street  
Bendigo, Victoria  
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550  
admin@rsdaudit.com.au  
www.rsdaudit.com.au

## **Auditors 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 2019 there have been no contraventions of:

- (i) The auditor independence requirements 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.

**RSD Audit**

A handwritten signature in black ink, appearing to read 'Katie'.

**Kathie Teasdale**  
**Partner**  
41A Breen Street  
Bendigo VIC 3550

**Dated:** 3 September 2019

Richmond Sinnott & Delahunty, trading as RSD Audit  
ABN 60 616 244 309  
Liability limited by a scheme approved under Professional Standards Legislation

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue	2	1,886,994	2,162,686
<b>Expenses</b>			
Employee benefits expense	3	(978,248)	(989,891)
Depreciation and amortisation	3	(109,854)	(95,245)
Finance costs	3	(13,840)	(171)
Bad and doubtful debts expense	3	(5,050)	(3,239)
Administration and general costs		(210,374)	(196,187)
Occupancy expenses		(107,690)	(91,795)
IT expenses		(73,819)	(73,009)
ATM Expenses		(21,731)	(18,803)
		<b>(1,520,606)</b>	<b>(1,468,340)</b>
<b>Operating profit before charitable donations &amp; sponsorship</b>		<b>366,388</b>	<b>694,346</b>
Charitable donations and sponsorships		(160,380)	(281,418)
<b>Profit before income tax</b>		<b>206,008</b>	<b>412,928</b>
Income tax expense	4	(54,318)	(106,432)
<b>Profit for the year after income tax</b>		<b>151,690</b>	<b>306,496</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>151,690</b>	<b>306,496</b>
Profit attributable to members of the company		151,690	306,496
<b>Total comprehensive income attributable to members of the company</b>		<b>151,690</b>	<b>306,496</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share	18	8.55	17.28

These financial statements should be read in conjunction with the accompanying notes.



# Financial statements (continued)

## Statement of Financial Position as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	298,478	395,404
Trade and other receivables	6	122,362	166,727
Financial assets	7	196,304	178,702
Current tax asset	4	8,901	-
Other assets	8	8,710	8,054
<b>Total current assets</b>		<b>634,755</b>	<b>748,887</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,674,618	1,618,971
Intangible assets	10	4,262	11,569
<b>Total non-current assets</b>		<b>1,678,880</b>	<b>1,630,540</b>
<b>Total assets</b>		<b>2,313,635</b>	<b>2,379,427</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	75,861	141,004
Current tax liability	4	-	13,970
Borrowings	13	22,908	22,415
Provisions	14	110,214	161,014
<b>Total current liabilities</b>		<b>208,983</b>	<b>338,403</b>
<b>Non-current liabilities</b>			
Borrowings	13	399,812	421,794
Provisions	14	13,353	7,223
Deferred tax liability	4	29,670	8,163
<b>Total non-current liabilities</b>		<b>442,835</b>	<b>437,180</b>
<b>Total liabilities</b>		<b>651,818</b>	<b>775,583</b>
<b>Net assets</b>		<b>1,661,817</b>	<b>1,603,844</b>
<b>Equity</b>			
Issued capital	15	977,708	977,708
Retained earnings	16	684,109	626,136
<b>Total equity</b>		<b>1,661,817</b>	<b>1,603,844</b>

These financial statements should be read in conjunction with the accompanying notes.

# Financial statements (continued)

## Statement of Changes in Equity for the year ended 30 June 2019

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018 (reported)		977,708	626,136	1,603,844
Change due to the adoption of AASB 9		-	(5,009)	(5,009)
<b>Balance at 1 July 2018 (restated)</b>		<b>977,708</b>	<b>621,127</b>	<b>1,598,835</b>
Comprehensive income for the year				
Profit for the year		-	151,690	151,690
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(88,708)	(88,708)
<b>Balance at 30 June 2019</b>		<b>977,708</b>	<b>684,109</b>	<b>1,661,817</b>
Balance at 1 July 2017		977,708	417,219	1,394,927
Comprehensive income for the year				
Profit for the year		-	306,496	306,496
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(97,579)	(97,579)
<b>Balance at 30 June 2018</b>		<b>977,708</b>	<b>626,136</b>	<b>1,603,844</b>

These financial statements should be read in conjunction with the accompanying notes.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,965,274	2,351,206
Payments to suppliers and employees		(1,726,722)	(1,794,191)
Dividends received		11,275	13,464
Interest paid		(13,840)	(171)
Interest received		534	3,904
Income tax paid		(53,782)	(50,460)
<b>Net cash flows provided by operating activities</b>	<b>19b</b>	<b>182,739</b>	<b>523,752</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(158,194)	(1,028,305)
Purchase of investments		(11,274)	(10,438)
<b>Net cash flows used in investing activities</b>		<b>(169,468)</b>	<b>(1,038,743)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	443,005
Repayment of borrowings		(21,489)	189
Dividends paid		(88,708)	(97,579)
<b>Net cash flows from/(used in) financing activities</b>		<b>(110,197)</b>	<b>345,615</b>
<b>Net decrease in cash held</b>		<b>(96,926)</b>	<b>(169,376)</b>
Cash and cash equivalents at beginning of financial year		395,404	564,780
<b>Cash and cash equivalents at end of financial year</b>	<b>19a</b>	<b>298,478</b>	<b>395,404</b>

These financial statements should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For year ended 30 June 2019

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

Upper Yarra Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 2 September 2019.

## 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

#### Economic dependency

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

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### **(b) 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.

### **(c) 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.

### **(d) Comparative figures**

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

### **(e) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

#### Estimation of useful lives of assets

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

#### Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve 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.

#### Employee benefits provision

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.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (e) Critical accounting estimates and judgements (continued)

#### 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.

### (f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

#### AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 has mostly impacted the following area:

The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. The majority of investments were previously classified as available-for-sale (AFS) investments are now measured at fair value through profit and loss (FVTPL) as the cash flows are not solely payments of principal and interest (SPPI).



# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### **(g) 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 out on the proceeding pages.

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of \$ 102,988. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

### **(h) Change in accounting policies**

#### Revenue

Core banking products

Revenue arises primarily from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

- a) when the entity has a right to receive the income and it can be reliably measured; or
- b) upon receipt.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (h) Change in accounting policies (continued)

#### Revenue (continued)

##### Electricity tariffs

Upper Yarra Community Power recognises tariff upon receipt, on which there are no future performance obligations.

##### Government grants

The entity recognises government grants as income upon receipt, unless there are conditions attached to the income, in which the income is recognised as the conditions are satisfied. Refer note 2 for future information on the income recognition policies of the company. the adoption of the standard has not affected the financial statements of the company.

#### Financial Instruments

##### Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

##### Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- a) Financial assets at amortised cost
- b) Financial assets at fair value through profit and loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (h) Change in accounting policies (continued)

#### Subsequent measurement of financial assets (continued)

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

#### Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

As the accounting for financial liabilities remains largely unchanged from AASB 139, the group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

#### Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

#### Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value (\$)	AASB 9 Carrying value (\$)
<b>Financial Asset</b>				
Trade and Other receivables	Loans and receivables	Amortised cost	166,727	166,727
Listed shares	Available for sale	FVTPL	178,702	171,792
<b>Financial Liabilities</b>				
Trade and other payables	Amortised cost	Amortised cost	141,004	141,004
Borrowings	Amortised cost	Amortised cost	444,209	444,209

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (h) Change in accounting policies (continued)

#### Reconciliation of financial instruments on adoption of AASB 9 (continued)

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 are shown below:

	Retained Earnings (\$)
Opening balance under AASB 139	626,136
Reclassified from AFS to FVTPL	(5,009)
Opening balance under AASB 9	621,127

	2019 \$	2018 \$
--	------------	------------

## Note 2. Revenue

### Revenue

- service commissions	1,672,279	1,845,318
- feed in Tariff	27,016	-
	<b>1,699,295</b>	<b>1,845,318</b>

### Other revenue

- interest received	534	3,904
- dividends received	11,275	10,438
- government grant	150,000	300,000
- fair value movement of listed investments	13,237	-
- other revenue	12,653	3,026
	<b>187,699</b>	<b>317,368</b>
<b>Total revenue</b>	<b>1,886,994</b>	<b>2,162,686</b>

Revenue primarily arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

### Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

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).

# Notes to the financial statements (continued)

## Note 2. Revenue (continued)

### Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

### Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. Core banking products include:

### Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

### Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

### Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

### Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

### Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

# Notes to the financial statements (continued)

## Note 2. Revenue (continued)

### Form and Amount of Financial Return (continued)

These abovementioned changes may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

- a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
- b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
- c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

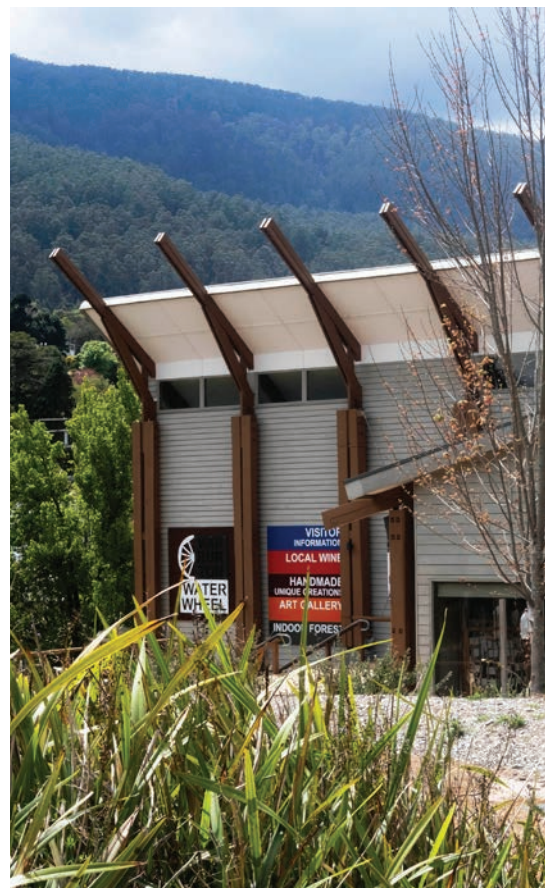
### Government grants and tariff income

Government grants and tariff income is recognised on receipt.

	2019 \$	2018 \$
<b>Note 3. Expenses</b>		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	887,896	819,628
- superannuation costs	73,914	96,801
- other costs	16,438	73,462
	<b>978,248</b>	<b>989,891</b>
Depreciation and amortisation		
Depreciation		
- buildings	23,300	8,719
- leasehold improvements	5,637	5,682
- plant and equipment	24,471	59,620
- furniture and fittings	5,021	5,841
- Startup expenses	44,118	-
	<b>102,547</b>	<b>79,862</b>



# Supporting our community







# Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 3. Expenses (continued)		
Amortisation		
- franchise fees	7,307	15,383
<b>Total depreciation and amortisation</b>	<b>109,854</b>	<b>95,245</b>
Finance costs		
- Interest paid	13,840	171
Bad and doubtful debts expenses	5,050	3,239
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,100	8,890
	<b>5,100</b>	<b>8,890</b>

## Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

## Depreciation and amortisation

The depreciable amount of all fixed assets, including buildings, capitalised leased asset and intangible assets with finite useful lives, 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 and amortisation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings	3%	Straight line
Leasehold improvements	7.5% - 18.75%	Diminishing value
Fixture & fittings	2% - 20%	Diminishing value
Plant and equipment	10% - 25%	Diminishing value
Franchise and renewal fee	20%	Straight line

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 4. Income tax</b>		
<b>a. The components of tax expense comprise:</b>		
Current tax expense	34,590	51,951
Deferred tax expense	23,408	63,179
Franking credits	(4,832)	
Under / (over) provision of prior years	1,152	(8,698)
	<b>54,318</b>	<b>106,432</b>
<b>b. Prima facie tax payable</b>		
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 27.5% (2018: 27.5%)	56,652	113,555
Add tax effect of:		
- Imputation credits	(3,503)	1,230
- Under / (over) provision of prior years	1,152	(8,698)
- Non-deductible expenses	248	345
<b>Income tax attributable to the entity</b>	<b>54,549</b>	<b>106,432</b>
The applicable weighted average effective tax rate is:	26.37%	25.77%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	13,970	21,177
Income tax paid	(53,781)	(50,460)
Current tax	34,590	51,951
Under / (over) provision prior years	1,152	(4,225)
Franking credit offset	(4,832)	(4,473)
	<b>(8,901)</b>	<b>13,970</b>
<b>d. Deferred tax liability</b>		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	16,486	46,265
Accruals	4,271	-
Employee provisions	33,981	14,230
Unused tax losses	17,137	-
	<b>71,875</b>	<b>60,495</b>



## Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 4. Income tax (continued)		
<b>d. Deferred tax liability (continued)</b>		
Deferred tax liabilities comprise:		
Accrued income	6	-
Financial assets carried at FVTPL	1,740	-
Prepayments	2,395	-
Non-assessable income	97,404	68,658
	<b>101,545</b>	<b>68,658</b>
<b>Net deferred tax liability</b>	<b>(29,670)</b>	<b>(8,163)</b>
<b>e. Deferred income tax included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(9,479)	(5,479)
(Decrease) / increase in deferred tax liabilities	34,787	68,658
Increase in deferred tax liability recognised in equity	(1,900)	-
	<b>23,408</b>	<b>63,179</b>

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.

	2019 \$	2018 \$
Note 5. Cash and cash equivalents		
Cash at bank and on hand	290,908	395,404
Short-term bank deposits	7,570	-
	<b>298,478</b>	<b>395,404</b>

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.

The effective interest rate on short-term bank deposits was 2.25% (2018: N/A); these deposits have an average maturity of 270 days.

# Notes to the financial statements (continued)

	2019 \$	2018 \$
--	------------	------------

## Note 6. Trade and other receivables

### Current

Trade receivables	122,342	166,727
Other receivables	20	-
	<b>122,362</b>	<b>166,727</b>

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.

### 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.

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
<b>2019</b>						
Trade receivables	122,342	122,342	-	-	-	-
Other receivables	20	20	-	-	-	-
<b>Total</b>	<b>122,362</b>	<b>122,362</b>	-	-	-	-
<b>2018</b>						
Trade receivables	166,727	166,727	-	-	-	-
<b>Total</b>	<b>166,727</b>	<b>166,727</b>	-	-	-	-

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 7. Financial assets</b>		
Fair value through profit and loss		
Listed investments	196,304	178,702
	<b>196,304</b>	<b>178,702</b>

## (a) Classification of financial assets

The company classifies its financial assets in the following categories:

- fair value through profit or loss (FVTPL)
- amortised cost

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

## (b) Measurement of financial assets

### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

## (c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.



# Notes to the financial statements (continued)

## Note 7. Financial assets (continued)

### (c) Impairment of financial assets (continued)

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

### (d) 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.

	2019 \$	2018 \$
<b>Note 8. Other assets</b>		
Prepayments	8,710	8,054
	<b>8,710</b>	<b>8,054</b>

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

# Notes to the financial statements (continued)

## Note 9. Property, plant and equipment

	2019 \$			2018 \$		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land - at cost	200,000	-	200,000	200,000	-	200,000
Buildings	899,618	(121,771)	777,847	348,611	(104,031)	244,580
Leasehold improvements - at cost	186,839	(113,813)	73,026	166,430	(102,615)	63,815
Plant and equipment - at cost	600,201	(143,336)	456,865	1,249,041	(176,515)	1,072,526
Furniture and fittings - at cost	139,857	(106,828)	33,029	139,857	(101,807)	38,050
Startup Cost	220,596	(86,745)	133,851			
<b>Total property, plant and equipment</b>	<b>2,247,111</b>	<b>(572,493)</b>	<b>1,674,618</b>	<b>2,103,939</b>	<b>(484,968)</b>	<b>1,618,971</b>

### Land and buildings

Freehold land and buildings are measured 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 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.

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.

# Notes to the financial statements (continued)

## Note 9. Property, plant and equipment (continued)

### (a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

### (b) Movements in carrying amounts of PP&E

<b>2019</b>	<b>Opening written down value \$</b>	<b>Additions \$</b>	<b>Transfers \$</b>	<b>Depreciation \$</b>	<b>Closing written down value \$</b>
Land - at cost	200,000	-	-	-	200,000
Buildings	244,580	129,747	426,820	(23,300)	777,847
Leasehold improvements - at cost	63,815	-	14,848	(5,637)	73,026
Plant and equipment - at cost	1,072,526	20,983	(612,173)	(24,471)	456,865
Furniture and fittings - at cost	38,050	-	-	(5,021)	33,029
Startup Cost	-	7,464	170,505	(44,118)	133,851
<b>Total property, plant and equipment</b>	<b>1,618,971</b>	<b>158,194</b>	<b>-</b>	<b>(102,547)</b>	<b>1,674,618</b>

<b>2018</b>	<b>Opening written down value \$</b>	<b>Additions \$</b>	<b>Transfers \$</b>	<b>Depreciation \$</b>	<b>Closing written down value \$</b>
Land - at cost	200,000	-	-	-	200,000
Buildings	253,299	-	-	(8,719)	244,580
Leasehold improvements - at cost	69,497	-	-	(5,682)	63,815
Plant and equipment - at cost	29,420	1,028,305	74,421	(59,620)	1,072,526
Furniture and fittings - at cost	43,891	-	-	(5,841)	38,050
Startup Cost	-	-	-	-	-
Hydro project	74,421	-	(74,421)	-	-
<b>Total property, plant and equipment</b>	<b>670,528</b>	<b>1,028,305</b>	<b>-</b>	<b>(79,862)</b>	<b>1,618,971</b>

## Note 10. Intangible assets

	<b>2019 \$</b>			<b>2018 \$</b>		
	<b>At cost</b>	<b>Accumulated amortisation</b>	<b>Written down value</b>	<b>At cost</b>	<b>Accumulated amortisation</b>	<b>Written down value</b>
Franchise fees	36,535	(32,273)	4,262	105,756	(94,187)	11,569
<b>Total intangible assets</b>	<b>36,535</b>	<b>(32,273)</b>	<b>4,262</b>	<b>105,756</b>	<b>(94,187)</b>	<b>11,569</b>

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.

# Notes to the financial statements (continued)

## Note 10. Intangible assets (continued)

### Movements in carrying amounts

<b>2019</b>	<b>Opening written down value \$</b>	<b>Amortisation \$</b>	<b>Closing written down value \$</b>
Franchise fees	11,569	(7,307)	4,262
<b>Total intangible assets</b>	<b>11,569</b>	<b>(7,307)</b>	<b>4,262</b>

<b>2018</b>	<b>Opening written down value \$</b>	<b>Amortisation \$</b>	<b>Closing written down value \$</b>
Franchise fees	26,952	(15,383)	11,569
<b>Total intangible assets</b>	<b>26,952</b>	<b>(15,383)</b>	<b>11,569</b>

## Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

	<b>2019 \$</b>	<b>2018 \$</b>
--	--------------------	--------------------

## Note 12. Trade and other payables

### Current

Unsecured liabilities:

Trade creditors	13,506	31,889
Other creditors and accruals	62,355	109,115
	<b>75,861</b>	<b>141,004</b>

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.

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

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 13. Borrowings</b>		
<b>Current</b>		
Secured liabilities		
Bank loan	22,908	22,415
	<b>22,908</b>	<b>22,415</b>
<b>Non-current</b>		
Secured liabilities		
Bank loan	399,812	421,794
	<b>399,812</b>	<b>421,794</b>
<b>Total borrowings</b>	<b>422,720</b>	<b>444,209</b>

## Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference 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.

### (a) Bank loans

The loan for Upper Yarra Community Power Pty Ltd is secured by a charge over the freehold title. Interest is recognised at 4.12% pa (2018: 4.88%) for this loan.

	2019 \$	2018 \$
<b>Note 14. Provisions</b>		
<b>Current</b>		
Employee benefits	110,214	161,014
<b>Non-current</b>		
Employee benefits	13,353	7,223
<b>Total provisions</b>	<b>123,567</b>	<b>168,237</b>

## 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.

# Notes to the financial statements (continued)

## Note 14. Provisions (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.

	2019 \$	2018 \$
<b>Note 15. Share capital</b>		
400,000 Ordinary shares fully paid	400,000	400,000
574,160 Ordinary shares fully paid	594,452	594,452
800,000 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(16,744)	(16,744)
	<b>977,708</b>	<b>977,708</b>

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.

### **(a) Movements in share capital**

Fully paid ordinary shares:

At the beginning of the reporting period	1,774,160	1,774,160
At the end of the reporting period	1,774,160	1,774,160

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.

# Notes to the financial statements (continued)

## Note 15. Share capital (continued)

### (b) Capital 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 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.

	2019 \$	2018 \$
Balance at the beginning of the reporting period	626,136	417,219
Adjustment to retain earning for prior year market revaluation	(5,009)	-
Profit for the year after income tax	151,690	306,496
Dividends paid	(88,708)	(97,579)
<b>Balance at the end of the reporting period</b>	<b>684,109</b>	<b>626,136</b>

	2019 \$	2018 \$
--	------------	------------

## Note 17. Dividends paid or provided for on ordinary shares

### (a) Dividends paid or provided for during the year

Final fully franked ordinary dividend of 5 cents per share (2018: 5.5) franked at the tax rate of 27.5% (2018: 27.5%).	88,708	97,579
--	--------	--------

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

### (b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of financial year	326,151	306,017
--	---------	---------

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 18. Earnings per share</b>		
Basic earnings per share (cents)	8.55	17.28
Earnings used in calculating basic earnings per share	151,690	306,496
Weighted average number of ordinary shares used in calculating basic earnings per share	1,774,160	1,774,160

## 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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

	2019 \$	2018 \$
<b>Note 19. Statement of cash flows</b>		
<b>(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:</b>		
Cash and cash equivalents (Note 5)	298,478	395,404
<b>As per the Statement of Cash Flow</b>	<b>298,478</b>	<b>395,404</b>

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

Profit for the year after income tax	151,690	306,496
Non-cash flows in profit		
- Depreciation and amortisation	109,854	95,245
- Bad debts	5,050	3,239
- Fair value increase	(13,237)	
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	39,315	539
- (increase) / decrease in prepayments and other assets	(656)	(1,102)
- (Increase) / decrease in deferred tax asset	23,407	63,179
- Increase / (decrease) in trade and other payables	(65,143)	52,157
- Increase / (decrease) in current tax liability	(22,871)	(7,207)
- Increase / (decrease) in provisions	(44,670)	11,206
<b>Net cash flows from operating activities</b>	<b>182,739</b>	<b>523,752</b>

## (c) Credit standby arrangement and loan facilities

The company has a commercial bill facility amounting to NIL (2018: \$29,096). This was terminated during 2019. At 30 June 2018, \$ 1,204 of this facility was used. Variable interest rates applied this bill facility.



# Notes to the financial statements (continued)

## Note 20. Key management personnel and related party disclosures

### (a) Key management personnel

Key management personnel includes any person 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.

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

	2019 \$	2018 \$
Short-term employee benefits	79,589	93,843
Post-employment benefits	-	8,915
<b>Total key management personnel compensation</b>	<b>79,589</b>	<b>102,758</b>

Remuneration includes:

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.

### (b) Other related parties

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

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

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.

Name of related party	Description of goods/services	Value \$
Geoff Vickers	Executive Officer Salary & Wage	30,561

# Notes to the financial statements (continued)

## Note 20. Key management personnel and related party disclosures (continued)

### (d) Key management personnel shareholdings

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

	2019	2018
Rodney McKail (Chairman)	1,000	1,000
Geoff Vickers (Resigned 01/02/2019)	2,000	2,000
Elizabeth Fox	-	-
Chris Brown (Resigned 03/06/2019)	-	-
Sally Brennan	1,000	1,000
Hazel Clothier	-	-
David Schloeffel	-	-
Sue Clarke	-	-
Neil Jorgensen	1,500	500
	<b>5,500</b>	<b>4,500</b>

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 key management or related parties other than those described above.

## Note 21. 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 22. Contingent liabilities and contingent assets

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

## Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Warburton, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 89% of the revenue (2018: 85%).

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 24. Commitments</b>		
Operating lease commitments		
Payable:		
- no later than 12 months	44,728	41,354
- between 12 months and five years	58,260	99,027
- greater than five years	-	-
<b>Minimum lease payments</b>	<b>102,988</b>	<b>140,381</b>

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

## Note 25. Company details

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

## Note 26. Financial instrument risk

### Financial risk management policies

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

### Specific financial risk exposure and management

The 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.

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	2019 \$	2018 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	298,478	395,404
Trade and other receivables	6	122,362	166,727
Financial assets	7	196,304	178,702
<b>Total financial assets</b>		<b>617,144</b>	<b>740,833</b>

# Notes to the financial statements (continued)

## Note 26. Financial instrument risk (continued)

### Specific financial risk exposure and management (continued)

	Note	2019 \$	2018 \$
<b>Financial liabilities</b>			
Trade and other payables	12	75,861	141,004
Borrowings	13	422,720	444,209
<b>Total financial liabilities</b>		<b>498,581</b>	<b>585,213</b>

#### **(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 (2018: 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.

#### **(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.

# Notes to the financial statements (continued)

## Note 26. Financial instrument risk (continued)

### (b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.46%	298,478	298,478	-	-
Trade and other receivables		122,362	122,362	-	-
Financial assets		196,304	196,304	-	-
<b>Total anticipated inflows</b>		<b>617,144</b>	<b>617,144</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables		75,861	75,861	-	-
Borrowings	4.12%	422,720	22,908	399,812	-
<b>Total expected outflows</b>		<b>498,581</b>	<b>98,769</b>	<b>399,812</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>118,563</b>	<b>518,375</b>	<b>(399,812)</b>	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.10%	395,404	395,404	-	-
Trade and other receivables		166,727	166,727	-	-
Financial assets		178,702	178,702	-	-
<b>Total anticipated inflows</b>		<b>740,833</b>	<b>740,833</b>	-	-
<b>Financial liabilities</b>					
Trade and other payables		141,004	141,004	-	-
Borrowings	4.88%	444,209	22,415	421,794	-
<b>Total expected outflows</b>		<b>585,213</b>	<b>163,419</b>	<b>421,794</b>	-
<b>Net inflow / (outflow) on financial instruments</b>		<b>155,620</b>	<b>577,414</b>	<b>(421,794)</b>	-

# Notes to the financial statements (continued)

## Note 26. Financial instrument risk (continued)

### (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

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.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 0.5% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

#### Other price risk

The company is exposed to other price risk on its listed investment carried at fair value, whereby a change in share prices will affect the fair value of the financial instruments.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 0.5% in equity prices from year-end rates.

These movements will not have a material impact (+ \$19,304 before tax) on the valuation of the company's investments, nor will they have a material impact on the results of the company's operations.

## Note 27. Fair value measurements

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 (i.e. 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.

# Notes to the financial statements (continued)

## Note 27. Fair value measurements (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. 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.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

### (a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Measurements based on unobservable inputs for the asset or liability.

Fair values 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The following tables provide the fair values of the company's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2019			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Listed investments	196,304	-	-	196,304
<b>Total financial assets recognised at fair value</b>	<b>196,304</b>	<b>-</b>	<b>-</b>	<b>196,304</b>

	30 June 2018			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Listed investments	178,702	-	-	178,702
<b>Total financial assets recognised at fair value</b>	<b>178,702</b>	<b>-</b>	<b>-</b>	<b>178,702</b>

# Notes to the financial statements (continued)

## Note 27. Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

### (b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Listed investments are valued using the market approach based on the closing bid price at 30 June.



# Directors' declaration

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

1. The financial statements and notes, as set out on pages 8 to 48 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 2019 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.



**Rodney McKail**  
**Director**

Signed at Warburton on 02 September 2019.

# Independent audit report



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPPER YARRA COMMUNITY ENTERPRISE LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of Upper Yarra Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2019 and of its performance for the year then ended; 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.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

#### Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# Independent audit report (continued)



## **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent audit report (continued)



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RSD AUDIT

A handwritten signature in dark ink, appearing to read 'KAT', positioned above the printed name of the auditor.

**Kathie Teasdale**

Partner

Bendigo

Dated: 3 September 2019



Warburton Community Bank Branch  
3399 Warburton Highway, Warburton VIC 3799  
Phone: (03) 5966 2122 Fax: (03) 5966 2144  
[www.bendigobank.com.au/warburton](http://www.bendigobank.com.au/warburton)

Yarra Junction District Community Bank Branch  
Shop 1, 2452 Warburton Highway, Yarra Junction VIC 3797  
Phone: (03) 5967 1919 Fax: (03) 5967 2662  
[www.bendigobank.com.au/yarra-junction](http://www.bendigobank.com.au/yarra-junction)

Franchisee: Upper Yarra Community Enterprise Limited  
3399 Warburton Highway, Warburton VIC 3799  
Phone: (03) 5966 9028  
ABN: 54 090 252 627  
[www.upperyarra.net.au](http://www.upperyarra.net.au)

(BNPAR19066) (10/17)

This Annual Report has been printed on 100% Recycled Paper