2018
Annual Report

Upper Yarra Community Enterprise Limited
ABN 54 090 252 627

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

Contents

Chair's report

For year ending 30 June 2018

Welcome to the Upper Yarra Community Enterprise Limited (UYCE) Annual Report for the year ending 30 June 2018. As Chairperson it is my privilege to present this information to you. I would firstly like to acknowledge the former Chairs who held office for some part of the financial year. Peter Kimberley sadly passed away in July 2017, his legacy continues following his outstanding contribution as Chair, a position that he held for over five years. I would also like to acknowledge Joy McConachy who took over as Acting Chair up until her retirement from the Board in January. It was a particularly difficult and challenging period and her outstanding contribution during this time was greatly appreciated.

The presentation of the annual financial statements for the year have changed considerably in 2018. This is due to the requirement to consolidate the operations of Upper Yarra Community Power Pty Ltd (UYCP), as a wholly owned subsidiary of UYCE, into a single set of accounts.

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. I understand it may be difficult to undertake a meaningful comparison of our performance this year to previous years and in appreciation of this I offer the following additional information to assist with this comparison. UYCE profit for the 2017/18 period was $167,453 which compares favourably to the previous financial year result of $163,493.

The balance sheet for UYCP is made up of the following components as at 30 June 2018:

- Total Assets of $889,760

  This includes cash at hand, Government Grant revenue ($300,000 of the total $450,000), Loan funds income and Hydro plant assets.

- Total Liabilities $604,608

  This includes trade creditors, net GST liabilities, and outstanding loan from Bendigo Bank of $443,005 and loan from UYCE of $131,490.

- Total share equity (cash contribution) invested by UYCE of $285,151.

The year in review and looking forward - June 2018

Financial performance

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

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

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

Chair’s report (continued)

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

Community Investment Fund (CIF)

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

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

Board, Board Committees and Management

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

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

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

I would also like to congratulate Adam Whitworth and his team for their ongoing contribution to the success of our organisation. We thank them for their skills, commitment and outstanding customer service ethic that we are known for.

The road ahead

The next two years will not be without challenges. The banking business around the world is changing as technology continues to evolve.

Customers will increasingly transact online. Over-the-counter transactions will continue to trend downwards, as will ATM transactions. If we are to remain in touch with our customers so that we can always be alert and responsive to their changing needs, we need to be prepared to conduct our business in different ways.

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

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

Other matters

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

Chair's report (continued)

We are aware of concerns that have been raised by some shareholders and customers and understand that Council is working through a consultative process to address as many of the concerns as practicable. On balance we continue to support this project. In regard to our commitment of $300,000 to the project, we are currently in discussions with Council on specifically how the funds will be spent. It is anticipated that the focus of these funds will be on delivering identifiable outcomes that will support the local community. Upper Yarra Community Enterprise Limited continues to be represented on the Project Steering Committee.

Secondly, we are very pleased to see that the Ythan Creek Hydro project will be fully operational later this year. Congratulations are extended to the Board members of UYCP for delivering this innovative and challenging project, with the support of the Warburton Golf Club, Yarra Ranges Council, Powershop and various other project partners.

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

Manager’s report

For year ending 30 June 2018

As of 30 June 2018, the Warburton & Yarra Junction District **Community Bank**® branches held business totalling over $209 million. This is made up of $91 million in loans and $118 million dollars in deposits and other banking business. Both branches recorded growth in their deposits for the year totalling over $8 million. Growing the lending side of the business has proven more challenging with restrictions on investment lending and a low interest rate environment which allows our customers to pay down their loans faster. Overall growth between both sites was $2.8 million. The branches now hold over 9,800 accounts, an increase of 227 for the year so we are still opening new accounts in good numbers.

Yarra Junction **Community Bank**® Branch celebrated it’s 10th birthday in February this year. A free sausage sizzle and some other activities were held outside the branch and it was great to see that it was well attended by the public. Emily Sharp achieved a personal milestone this year when she reached 10 years’ service. Emily is a foundation staff member at the Yarra Junction **Community Bank**® Branch and has been instrumental in the branches success. Congratulations Emily on achieving this milestone.

One of the most satisfying parts of my role is to see the reward our community receives by having two **Community Bank**® branches in our district. Our community contributions were again substantial with $281,000 being provided through sponsorships and grants, totalling almost $4 million since inception. This makes a significant impact to many groups and organisations in our area. It is a wonderful model and if we are to continue to be able to contribute the same level of support we will require the support of the community by doing business with us. We are able to offer a full range of banking services at competitive rates and welcome a conversation from any of our shareholders or their friends and relatives.

I am fortunate to have two dedicated teams led by Dan Mathers and Carla Nobes. We had some stability among our personnel this year with no real changes. I would like to thank each of them on their dedication to our customers and their roles over the last year.

I would like to thank the Board of Directors for their support throughout the year, especially our Chair, Rodney McKail. The Board volunteer a tremendous amount of time to ensure the company is heading in the right direction and provide positive community outcomes. I would also like to acknowledge a couple of Directors who retired throughout the year, Jaqui Hall and Joy McConachy. Jaqui played a key role in establishing the branch at Yarra Junction as the Steering Committee Chair and continued as a Director after the branch opened. She was very passionate about the **Community Bank**® model and provided great support to me personally over the last 10 years. I would also like to thank Joy who spent time as the company Chair prior to her retirement who was also great support to me and the other staff.

Finally thanks to Marisa Dickins and Gab Butler and their teams at Bendigo and Adelaide Bank Limited for their assistance throughout the year.

Adam Whitworth
Manager

Executive Officer’s report

For year ending 30 June 2018

It is a source of enormous satisfaction that our company is able to support so many hard-working community groups in their work to keep the Upper Yarra a great place to live. This year saw the following organisations benefit from our Community Investment Program, either directly or in partnership with the Community Enterprise Foundation™.

Organisation name	Project name	Amount
Tour de Trails	Tour de Trails Festival 2018	$2,000
Yarra Ranges Mountain Bikers	Website	$1,500
Yarra Junction Bowls Club	Greens renovation	$9,000
Upper Yarra Valley Historical Society	Crank up 41	$3,000
CFA - Warburton	Emergency generator	$5,800
Rotary Club of Upper Yarra	Free Running Martial Arts	$2,900
Yarra Ranges Film Society	Warburton Film Festival 2018	$2,500
The Girls Movement	Cinema Under the Stars	$2,000
Upper Yarra Secondary College Chaplaincy Committee	Brekky@the busses	$1,500
Variety Club	Variety Bash (YJ Police Entry)	$500
Yarra Valley Arts	Open Studios 2018	$5,000
Mange Management Inc	Materials to tackle mange in wombats	$3,880
Cire Services	Prams to Go	$2,446
Warburton Millgrove Cricket Club	Club sponsorship	$3,000
Auspicious Arts Projects Inc	The River of Light Winter Festival 2018	$3,000
Yarra Junction Football Netball Club	Storage and Office Facilities Extension to Club Pavilion	$10,000
Warburton Health Spaces Incorporated	Wellspring Winter Wellness Weekend	$972
RSL Warburton	Peace Garden Project	$4,500
Seventh Day Adventist Church	Community Health Program 2018	$4,445
Warburton Millgrove Football Netball Club	Replacement of change rooms hot water service	$10,000
Community Pottery Studio Yarra Valley	Shelving and kilns	$3,000
Redwood Community Centre	Redwood Counselling Service	$5,400
Yarra Junction Primary School	School sponsorship 2018	$7,800
Wesburn Primary School	School sponsorship 2018	$6,100
Warburton Valley CEDA	Sponsorship of Communications Officer	$5,000
Warburton Millgrove Cricket Club	Club sponsorship 2018	$3,000
Warburton Millgrove Football Netball Club	Club sponsorship 2018	$5,000
Warburton Bowls Club	Club sponsorship 2018	$4,000
Little Yarra Steiner School	School sponsorship 2018	$8,400
Yarra Junction Cricket Club	Club sponsorship 2018	$1,500

Executive Officer's report (continued)

Organisation name	Project name	Amount
Upper Yarra Playgroup Network	Playgroups Sponsorship 2018	$16,000
Powelltown Football Netball Club	Club sponsorship 2018	$5,000
Yarra Valley Soccer Club	Club sponsorship 2018	$5,000
Warburton Golf Club	Club sponsorship 2018	$5,000
Wesburn Junior Football Club	Club sponsorship 2018	$3,000
Yarra Junction Bowls Club	Club sponsorship 2018	$4,000
Warburton Primary School	School sponsorship 2018	$6,000
Gladysdale Primary School	School sponsorship 2018	$5,800
Upper Yarra Secondary College	School sponsorship 2018	$11,700
Millwarra Primary School	School sponsorship 2018	$11,600
Yarra Junction Football Netball Club	Club sponsorship 2018	$5,000
Warburton Tennis Club	Club sponsorship 2018	$5,000
Upper Yarra Netball Association	Netball Clinic	$2,800
Auspicious Arts Projects Inc	Music, Arts and Cultural Festival in Warburton	$2,500
Warburton District Angling Club	Family fishing days	$3,000
Yarra Junction Cricket Club	Veterans team shirts and caps	$873.40
LinC Church Services Network Yarra Valley	LinC MEDI SURE program	$7,500
Woods Point Gun Club	Annual Club sponsorship	$3,000
Warburton Millgrove Football Netball Club	'A Day on the Hill' fundraising event	$3,000
Catprint Productions	Major performance 2018	$4,220
River Valley Church	Maintenance and upgrades on the community centre, and children's breakfast program	$1,200
ECOSS	Ecotopia 2018	$3,000

Geoff Vickers
Executive Officer

Directors' report

For the financial year ended 30 June 2018

The Directors present their present their report together with the financial statements of the consolidated entity, being Upper Yarra Community Enterprises Limited (the company) and its Controlled Entities (the Group) for the year ended 30 June 2018.

Directors

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

Rodney McKail	(Appointed 15 January 2018)
Position	Chairperson
Professional qualifications	Nil
Experience and expertise	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	
Position	Director
Professional qualifications	Cert III Financial Services, Cert IV Community Services, Cert IV Training & Assessment, Cert in Corporate Governance.
Experience and expertise	Geoff was a member of the Steering Committee and is currently employed as Executive Officer. He previously operated his own business in Horticultural Crop Protection for 10 years.
Elizabeth Fox	
Position	Director
Professional qualifications	Master of Teacher in Special Education.
Experience and expertise	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	
Position	Director
Professional qualifications	B Ec., CPA
Experience and expertise	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	
Position	Director
Professional qualifications	Bachelor of Adult Learning and Development, Masters of Education, GAICD
Experience and expertise	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.

Directors (continued)

Hazel Clothier	(Appointed 22 April 2018)
Position	Director
Professional qualifications	FIBMS, MScInfDis, MAppEpi, MAICD
Experience and expertise	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 is a Board member of the Country Fire Authority and a member of the Australian Institute of Company Directors.
David Schloeffel	(Appointed 22 April 2018)
Position	Director
Professional qualifications	MA (Comms), FPRIA, GAICD
Experience and expertise	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.
Sue Clarke	(Appointed 22 April 2018)
Position	Director
Professional qualifications	B.Bus (RMIT), Certified Practicing Accountant (CPA), Public Practice Certificate, Registered Tax Agent
Experience and expertise	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	(Appointed 22 April 2018)
Position	Director
Professional qualifications	Bachelor of Education and Diploma of Teaching.
Experience and expertise	Recently retired after 43 years with the Department of Education in various teaching roles and responsibilities including 25 years as a school principal.
Peter Kimberley	(Resigned 18 July 2017)
Position	Ex-Chairperson
Professional qualifications	BSc (Melb) Post Grad qualification from IAFPA
Experience and expertise	Peter has more than 30 years experience in Funds Management & Superannuation. Previously a Director of various property management and consultancy companies.
Joy McConachy	(Resigned 05 January 2018)
Position	Ex-Chairperson
Professional qualifications	Nil
Experience and expertise	Joy has been involved in many community and sporting groups and has served as president of school council. She is a past member of the discussion group Women in Primary Industry and has been a business owner in the Upper Yarra Valley for the past 40 years.

Directors (continued)

Jaqui Hall	(Resigned 05 January 2018)
Position	Director
Professional qualifications	Nil
Experience and expertise	Jacqui chaired the Yarra Junction Steering Committee & previously operated her own business. Prior to that she was Bursar/Administrator at Warburton Primary School.
Sarah Ward-Brumhead	(Resigned 05 February 2018)
Position	Director
Professional qualifications	Bachelor of Social Work. Cert IV Training & Assessment.
Experience and expertise	Sarah is involved with the Misfit Theatre Group, a social enterprise based on the 'for youth by youth' philosphy. She is involved with several organisations in the youth disability area and ran the costume shop in Woori Yallock.
Michael Janssen	(Resigned 01 August 2018)
Position	Director
Professional qualifications	Masters in Applied Science, Bachelor of Theology.
Experience and expertise	Michael is General Manager of EACH Social & Community Health. He is also a member of Yarra Ranges Health & Wellbeing Advisory Committee and has interests in community development.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Rodney McKail (appointed 15 January 2018)	5	4
Elizabeth Fox	11	8
Geoff Vickers	11	9
Chris Brown	11	8
Sally Brennan	7	4
Hazel Clothier (appointed 22 April 2018)	2	2
David Schloeffel (appointed 22 April 2018)	2	1
Sue Clarke (appointed 22 April 2018)	2	2
Neil Jorgensen (appointed 22 April 2018)	2	2
Peter Kimberley (resigned 18 July 2017)	1	0
Joy McConachy (resigned 05 January 2018)	6	4
Jaqui Hall (resigned 05 January 2018)	6	6
Michael Janssen (resigned 01 August 2018)	11	7
Sarah Ward-Brumhead (resigned 05 February 2018)	11	8

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

Company Secretary

Mr G M Vickers has been the Company Secretary of Upper Yarra Community Enterprise Ltd since 2002. He holds qualifications in Financial and Community services. He operated his own crop spraying business for 10 years until he sold the business in 2004. Prior to commencing his business he was Operations Manager for Muirfield Plant Protection.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $306,496 (2017 profit: $116,450), which is a 163.2% increase as compared with the previous year.

The increase is a result of receiving a government grant for the undertaking of the new hydro project.

Dividends

A fully franked final dividend of 5.5 cents per share was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 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

During the year Upper Yarra Community Enterprise expanded and started a new company Upper Yarra Community Power Pty Ltd, this company is focused on building a hydro power plant.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

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

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Warburton on 18 September 2018.

Rodney McKail
Chairperson

Auditor's independence declaration

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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 2018 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the review; and

(ii) Any applicable code of professional conduct in relation to the review.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 19 September 2018

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 2018

	Notes	2018 $	2017 $
Revenue	2	2,162,686	1,880,164
Expenses			
Employee benefits expense	3	(989,891)	(958,633)
Depreciation and amortisation	3	(95,245)	(48,085)
Finance costs	3	(171)	(329)
Bad and doubtful debts expense	3	(3,239)	(615)
Administration and general costs		(29,032)	(41,290)
Occupancy expenses		(39,763)	(38,234)
IT expenses		(73,008)	(68,831)
Advertising expenses		(31,773)	(40,207)
Professional expenses		(76,208)	(103,394)
Repairs and maintenance expenses		(7,912)	(6,729)
Utilities		(39,225)	(34,709)
Other expenses		(82,873)	(91,222)
		(1,468,340)	**(1,432,278)**
Operating profit before charitable donations & sponsorship		**694,346**	**447,886**
Charitable donations and sponsorships		(281,418)	(284,393)
Profit before income tax		**412,928**	**163,493**
Income tax expense	4	(106,432)	(47,043)
Profit for the year after income tax		**306,496**	**116,450**
Other comprehensive income		-	-
Total comprehensive income for the year		**306,496**	**116,450**
Profit attributable to members of the company		306,496	116,450
Total comprehensive income attributable to members of the company		**306,496**	**116,450**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	17.28	6.56

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

Statement of Financial Position
as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	395,404	564,780
Trade and other receivables	6	166,727	170,505
Financial assets	7	178,702	168,264
Other assets	8	8,054	6,952
Total current assets		**748,887**	**910,501**
Non-current assets			
Property, plant and equipment	9	1,618,971	670,528
Intangible assets	10	11,569	26,952
Deferred tax assets	4	-	55,016
Total non-current assets		**1,630,540**	**752,496**
Total assets		**2,379,427**	**1,662,997**
Liabilities			
Current liabilities			
Trade and other payables	12	141,004	88,847
Current tax liability	4	13,970	21,177
Borrowings	13	22,415	1,015
Provisions	14	161,014	151,187
Total current liabilities		**338,403**	**262,226**
Non-current liabilities			
Borrowings	13	421,794	-
Provisions	14	7,223	5,844
Deferred tax liability	4	8,163	-
Total non-current liabilities		**437,180**	**5,844**
Total liabilities		**775,583**	**268,070**
Net assets		**1,603,844**	**1,394,927**
Equity			
Issued capital	15	977,708	977,708
Retained earnings	16	626,136	417,219
Total equity		**1,603,844**	**1,394,927**

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

Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Retained earnings $	Total equity $
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
		-	**306,496**	**306,496**
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(97,579)	(97,579)
Balance at 30 June 2018		**977,708**	**626,136**	**1,603,844**
Balance at 1 July 2016		1,113,506	406,933	1,520,439
Comprehensive income for the year				
Profit for the year		-	116,450	116,450
		-	**116,450**	**116,450**
Transactions with owners in their capacity as owners				
Share buy-back issued during the year		(135,798)	-	(135,798)
Dividends paid or provided	17	-	(106,164)	(106,164)
Balance at 30 June 2017		**977,708**	**417,219**	**1,394,927**

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

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,351,206	2,022,562
Payments to suppliers and employees		(1,794,191)	(1,823,298)
Dividends received		13,464	24,683
Interest paid		(171)	(329)
Interest received		3,904	1,974
Income tax paid		(50,460)	(44,170)
Net cash flows provided by operating activities	**19b**	**523,752**	**181,422**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	(43,556)
Proceeds from sale of investments		-	385,159
Purchase of property, plant and equipment		(1,028,305)	-
Purchase of investments		(10,438)	(24,324)
Net cash flows from/(used in) investing activities		**(1,038,743)**	**317,279**
Cash flows from financing activities			
Repayment of loan receivable		-	20,000
Proceeds from borrowings		443,005	-
Repayment of loan receivable		189	177
Payment for Share Buy-back		-	(135,798)
Dividends paid		(97,579)	(106,164)
Net cash flows from/(used in) financing activities		**345,615**	**(221,785)**
Net increase/(decrease) in cash held		**(169,376)**	**276,916**
Cash and cash equivalents at beginning of financial year		564,780	287,864
Cash and cash equivalents at end of financial year	**19a**	**395,404**	**564,780**

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

Notes to the financial statements

For year ended 30 June 2018

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

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

The consoldiated financial statements were authorised for issue by the Directors on 3 September 2018.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These consolidated 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.

Upper Yarra Community Enterprise Limited is the group's ultimate parent entity.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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.

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:

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

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

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

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

<u>Employee benefits provision</u>

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.

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

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to the group are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

(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

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

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

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

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

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

(ii) the characteristics of the contractual cash flows.

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 16:

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

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

(h) Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Note 2. Revenue

	2018 $	**2017 $**
Revenue		
- service commissions	1,845,318	1,838,825
	1,845,318	**1,838,825**
Other revenue		
- interest received	3,904	1,974
- dividends received	10,438	9,680
- distribution received	-	15,003
- profit on disposal of asset	-	14,319
- other revenue	3,026	363
- government grant	300,000	-
	317,368	**41,339**
Total revenue	**2,162,686**	**1,880,164**

Note 2. Revenue (continued)

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

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

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).

Note 3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	819,628	799,334
- superannuation costs	96,801	88,509
- other costs	73,462	70,790
	989,891	**958,633**
Finance costs		
- Interest paid	171	329
Bad and doubtful debts expenses	3,239	615
Depreciation and amortisation		
Depreciation		
- buildings	8,719	8,719
- leasehold improvements	5,682	6,301
- plant and equipment	59,620	5,087
- furniture and fittings	5,841	6,827
	79,862	**26,934**
Amortisation		
- franchise fees	15,383	21,151
Total depreciation and amortisation	**95,245**	**48,085**

Note 3. Expenses (continued)

	2018 $	2017 $
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	8,890	6,150
	8,890	**6,150**

Operating expenses

Operating expenses are recognised in profit or loss on an accurals 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

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

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

Class of asset	Rate	Method
Buildings	3%	Straight Line
Leasehold improvements	7.5% - 18.75%	Diminishing Value
Fixtures and fittings	2% - 20%	Diminishing Value
Plant and equipment	10% - 25%	Diminishing Value

Gains/losses upon disposal of non-current assets

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

Note 4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	51,951	54,038
Deferred tax expense	63,179	(6,054)
Under / (over) provision of prior years	(8,698)	(941)
	106,432	**47,043**

Note 4. Income tax (continued)

	2018 $	2017 $
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	113,555	44,961
Add tax effect of:		
- Over provision of prior years	(8,698)	(941)
- Imputation credits	1,230	1,141
- Non-deductible expenses	345	164
- Change in company tax rates	-	1,718
Income tax attributable to the entity	**106,432**	**47,043**
The applicable weighted average effective tax rate is:	25.77%	28.77%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	21,177	12,516
Income tax paid	(50,460)	(44,170)
Current tax	51,951	54,038
Under / (over) provision prior years	(4,225)	(1,207)
Franking credit offset	(4,473)	-
	13,970	**21,177**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	46,265	11,833
Employee provisions	14,230	43,183
	60,495	**55,016**
Deferred tax liabilities comprise:		
Non-assessable income	68,658	-
Net deferred tax asset/(liability)	**(8,163)**	**55,016**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(5,479)	(6,320)
(Decrease) / increase in deferred tax liabilities	68,658	-
Under / (over) provision prior years	-	266
	63,179	**(6,054)**

Note 4. Income tax (continued)

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.

The non-assessable income portion relates to the Government Grant received under the New Energy Jobs Fund Grants Program for the Warburton Community Hydro Project, undertaken by Upper Yarra Community Power Pty Ltd. The Government Grant is assessed to the extent of the depreciation deductions that are claimed each year for the Hydro project as an assessable recoupment. The depreciation is offset in full by the Government Grant received until such time as the assessable recoupment has been applied in full.

Note 5. Cash and cash equivalents

	2018 $	**2017 $**
Cash at bank and on hand	395,404	177,188
Short-term bank deposits	-	387,592
	395,404	**564,780**

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 lesss.

Note 6. Trade and other receivables

	2018 $	**2017 $**
Current		
Trade receivables	166,727	169,740
Other receivables	-	765
	166,727	**170,505**

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.

Note 6. Trade and other receivables (continued)

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 $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	166,727	166,727	-	-	-	-
Total	**166,727**	**166,727**	**-**	**-**	**-**	**-**
2017						
Trade receivables	169,740	169,740	-	-	-	-
Other receivables	765	765	-	-	-	-
Total	**170,505**	**170,505**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2018 $	2017 $
Available for sale financial assets		
Listed investments	178,702	168,264
	178,702	**168,264**

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- available for sale assets.

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

Note 7. Financial assets (continued)

(a) Classification of financial assets (continued)

Available for sale financial asset

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

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

(b) Measurement of financial assets

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

- for available for sale financial assets - in other comprehensive income.
- noted investments are at cost, not FV, thus they are AFS classification. FV is not materialy different to CV, therefore accept classification as not materially misstated.

(c) Impairment of financial assets

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

Assets classified as available for sale

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

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

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

(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.

Note 8. Other assets

	2018 $	2017 $
Prepayments	8,054	6,952
	8,054	**6,952**

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.

Note 9. Property, plant and equipment

	2018 $			2017 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land	200,000	-	200,000	200,000	-	200,000
Buildings	348,611	(104,031)	244,580	348,611	(95,312)	253,299
Leasehold improvements	166,430	(102,615)	63,815	166,430	(96,933)	69,497
Plant and equipment	1,249,041	(176,515)	1,072,526	146,315	(116,895)	29,420
Furniture and fittings	139,857	(101,807)	38,050	139,857	(95,966)	43,891
Hydro project	-	-	-	74,421	-	74,421
Total property, plant and equipment	**2,103,939**	**(484,968)**	**1,618,971**	**1,075,634**	**(405,106)**	**670,528**

Land and buildings

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

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

Plant and equipment

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

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

Note 9. Property, plant and equipment (continued)

Plant and equipment (continued)

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.

(a) Capital expenditure commitments

The group does not have any capital expenditure commitments at 30 June 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

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

2017	Opening written down value	Additions	Transfer	Depreciation	Closing written down value
Land	200,000	-	-	-	200,000
Buildings	262,018	-	-	(8,719)	253,299
Leasehold improvements	75,798	-	-	(6,301)	69,497
Plant and equipment	28,871	5,636	-	(5,087)	29,420
Furniture and fittings	50,718	-	-	(6,827)	43,891
Hydro project	-	74,421	-	-	74,421
Total property, plant and equipment	**617,405**	**80,057**	**-**	**(26,934)**	**670,528**

Note 10. Intangible assets

	2018 $			2017 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	105,756	(94,187)	11,569	105,756	(78,804)	26,952
Total intangible assets	**105,756**	**(94,187)**	**11,569**	**105,756**	**(78,804)**	**26,952**

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.

Movements in carrying amounts

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	26,952	(15,383)	11,569
Total intangible assets	**26,952**	**(15,383)**	**11,569**

2017	Opening written down value	Amortisation	Closing written down value
Franchise fees	48,103	(21,151)	26,952
Total intangible assets	**48,103**	**(21,151)**	**26,952**

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.

Note 12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	31,889	22,421
Other creditors and accruals	109,115	66,426
	141,004	**88,847**

Note 12. Trade and other payables (continued)

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.

Note 13. Borrowings

	2018 $	2017 $
Current		
Secured liabilities		
Bank loan	22,415	1,015
	22,415	**1,015**
Non-current		
Secured liabilities		
Bank loan	421,794	-
	421,794	**-**
Total borrowings	**444,209**	**1,015**

Loans

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

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

(a) Bank loans

The Loan is secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at a fixed rate of 6.25% (2017: 6.25%). The loan for Upper Yarra Community Power Pty Ltd is secured by a charge over the same freehold title. Interest is recognised at 4.88% for this loan.

Note 14. Provisions

	2018 $	2017 $
Current		
Employee benefits	161,014	151,187
Non-current		
Employee benefits	7,223	5,844
Total provisions	**168,237**	**157,031**

Note 14. Provisions (continued)

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.

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.

Note 15. Share capital

	2018 $	**2017 $**
400,000 Ordinary shares fully paid	400,000	400,000
730,250 Ordinary shares fully paid	594,452	730,250
156,090 Buy back of ordinary shares	-	(135,798)
800,000 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(16,744)	(16,744)
	977,708	**977,708**

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	1,930,250
Shares buy back during the year	-	(156,090)
At the end of the reporting period	**1,774,160**	**1,774,160**

Note 15. Share capital (continued)

(a) Movements in share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Note 16. Retained earnings

	2018 $	**2017 $**
Balance at the beginning of the reporting period	417,219	406,933
Profit for the year after income tax	306,496	116,450
Dividends paid	(97,579)	(106,164)
Balance at the end of the reporting period	**626,136**	**417,219**

Note 17. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Fully franked ordinary dividend of 5.5 cents per share (2017: 5.5) franked at the tax rate of 27.5% (2017: 27.5%).	97,579	106,164

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

Note 18. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	17.28	6.56
Earnings used in calculating basic earnings per share	306,496	116,450
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 servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

Note 19. Statement of cash flows

	2018 $	2017 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconcile to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	395,404	564,780
As per the Statement of Cash Flow	**395,404**	**564,780**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	306,496	116,450
Non-cash flows in profit		
- Depreciation and amortisation	95,245	48,085
- Bad debts	3,239	615
- Net profit on disposal of investments	-	(27,688)
- Write off caravan park investment	-	13,369

Note 19. Statement of cash flows (continued)

	2018 $	2017 $
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	539	(1,159)
- (increase) / decrease in prepayments and other assets	(1,102)	(124)
- (Increase) / decrease in deferred tax asset	63,179	(5,788)
- Increase / (decrease) in trade and other payables	52,157	9,457
- Increase / (decrease) in current tax liability	(7,207)	8,661
- Increase / (decrease) in provisions	11,206	19,544
Net cash flows from operating activities	**523,752**	**181,422**

(c) Credit standby arrangement and loan facilities

The company has a commercial bill facility amounting to $29,096 (2017: $59,370). This may be terminated at any time at the option of the bank. At 30 June 2018, $1,204 of this facility was used (2017: $1,015). Variable interest rates apply to this facility.

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 group, 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:

	2018 $	2017 $
Short-term employee benefits	93,843	90,681
Post-employment benefits	8,915	8,660
Other long-term benefits	-	1,903
Total key management personnel compensation	**102,758**	**101,244**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

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

(a) Key management personnel (continued)

Share-based payments

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

(d) Key management personnel shareholdings

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

	2018	2017
Rodney McKail (appointed 15/01/18)	1,000	-
Elizabeth Fox	-	-
Geoff Vickers	2,000	2,000
Chris Brown	-	-
Sally Brennan	1,000	1,000
Hazel Clothier (appointed 22/04/18)	-	-
David Schloeffel (appointed 22/4/18)	-	-
Sue Clarke (appointed 22/4/18)	-	-
Neil Jorgensen (appointed 22/4/18)	500	-
Peter Kimberley (resigned 18/07/17)	24,000	24,000
Joy McConachy (resigned 05/01/18)	10,000	10,000
Jaqui Hall (resigned 05/01/18)	20,000	20,000
Michael Janssen (resigned 01/08/18)	-	-
Sarah Ward-Brumhead (resigned 05/02/18)	-	-
	58,500	**57,000**

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 85% of the revenue (2017: 100%).

Note 24. Interests in subsidiaries

(a) Composition of the Group

Name of the subsidiary	Principle place of business	Principle activity	2018	2017
Upper Yarra Community Power Pty Ltd	Australia	Generation and sale of electricity.	100%	-

Upper Yarra Community Enterprises holds complete control over the Upper Yarra Community Power Pty Ltd.

Note 25. Parent Entity information

	2018 $	2017 $
Statement of Financial Position		
Current assets	485,074	910,501
Total assets	1,760,256	1,662,997
Current liabilities	288,232	262,226
Total liabilities	295,455	268,070
Net assets	**1,464,801**	**1,394,927**
Issued capital	977,708	977,708
Retained earnings	487,093	417,219
Total Equity	**1,464,801**	**1,394,927**
Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year	167,453	141,230
Other comprehensive income	-	-
Total Comprehensive income	167,453	141,230

Note 26. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	41,354	39,763
- between 12 months and five years	99,027	70,305
- greater than five years	-	-
Minimum lease payments	**140,381**	**110,068**

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

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

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

Finance lease commitments

Finance lease liabilitis are payable exclusive of GST as follows:

Note 27. Company details

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

Note 28. 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.

Note 28. Financial instrument risk (continued)

Specific financial risk exposure and management (continued)

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

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	395,404	564,780
Trade and other receivables	6	166,727	170,505
Financial assets	7	178,702	168,264
Total financial assets		**740,833**	**903,549**
Financial liabilities			
Trade and other payables	12	141,004	88,847
Borrowings	13	444,209	1,015
Total financial liabilities		**585,213**	**89,862**

(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 (2017: 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.

Note 28. Financial instrument risk (continued)

(b) Liquidity risk (continued)

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.

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.10%	395,404	395,404	-	-
Trade and other receivables		166,727	166,727	-	-
Financial assets	0.00%	178,702	178,702	-	-
Total anticipated inflows		**740,833**	**740,833**	**-**	**-**
Financial liabilities					
Trade and other payables		141,004	141,004	-	-
Borrowings	4.88%	444,209	22,415	421,794	-
Total expected outflows		**585,213**	**163,419**	**421,794**	**-**
Net inflow / (outflow) on financial instruments		**155,620**	**577,414**	**(421,794)**	**-**

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.39%	564,780	564,780	-	-
Trade and other receivables		170,505	170,505	-	-
Financial assets	0.00%	168,264	168,264	-	-
Total anticipated inflows		**903,549**	**903,549**	**-**	**-**
Financial liabilities					
Trade and other payables		88,847	88,847	-	-
Borrowings	6.25%	1,015	1,015	-	-
Total expected outflows		**89,862**	**89,862**	**-**	**-**
Net inflow / (outflow) on financial instruments		**813,687**	**813,687**	**-**	**-**

Note 28. 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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

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

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

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

	2018		**2017**	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	5,741	5,741	7,330	7,330
+/- 1% in interest rates (interest expense)	(4,442)	(4,442)	(10)	(10)
	1,299	**1,299**	**7,320**	**7,320**

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

Other price risk

The Group is exposed to other price risk in respect of its listed equity securities.

For the listed equity securities, an average volatility of 10% has been observed during 2018 (2017: 10%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by $17,870 (2017: $16,827). The listed securities are classified as AFS, therefore no effect on profit or loss would have occurred.

Directors' declaration

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

1. The consolidated financial statements and notes, as set out on pages 14 to 42 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 2018 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 declaration is made in accordance with a resolution of the Board of Directors.

Rodney McKail
Chairperson

Signed at Warburton on 18 September 2018.

Independent audit report

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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 2018, 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 2018 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.

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.

rsd Audit

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 2018 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
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 19 September 2018

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