

Annual Report 2020

Upper Yarra Community
Enterprise Limited

Community Bank
Warburton and Yarra Junction & District

ABN 54 090 252 627



Contents

Chair's report	2
Senior Branch Manager's report	4
Managing Director's report	5
Directors' report	9
Auditor's independence declaration	14
Financial statements	15
Notes to the financial statements	19
Directors' declaration	53
Independent audit report	54

Feature centre – Supporting our community

Chair's report

For year ending 30 June 2020

Welcome to the Upper Yarra Community Enterprise Limited (UYCE) Annual Report for the year ending 30 June 2020. As Chairperson it is my privilege to present this information to you. I think it is fair to say that many things around the world have changed since I sat down to write last year's report as a result of the COVID-19 pandemic. Whilst it has been a challenging time, I have an enormous confidence in our ability to come through these difficulties.

This report represents a consolidated set of accounts for the operations of Upper Yarra Community Enterprise Limited (UYCE) and Upper Yarra Community Power Pty Ltd (UYCP), as a wholly owned subsidiary of UYCE. A consolidated report format is required to meet our reporting obligations with ASIC, and to ensure that you as shareholders are appropriately informed of the operations of UYCE and its wholly owned subsidiaries.

COVID-19 has had a minimal impact on our operations as at the end of the 2019/20 financial year and we continue to operate profitably. This has been achieved, despite the ongoing challenges within the banking industry, by way of increased checks and balances and historic low interest rates.

During the year we welcomed on board our new Branch Manager Kristy Sumner. Kristy is a fantastic asset to our business. With over ten years' experience in and around the Bendigo Bank system, she brings extensive knowledge and skills to the role. In terms of our Bank operations we have had very few changes throughout the year with one new staff member joining the team, Jessica Newell, who will work across both sites. We have an outstanding team working across our two sites and despite the emergence of the pandemic late in the financial year, they continue to be positive and focussed on supporting our growing customer base. I would like to acknowledge the fantastic effort of our great staff through this demanding time.

We have had changes in the corporate team, and I have been appointed by the UYCE Board as part-time Managing Director. We have stabilised the rest of the corporate team with June Petrie and Suyin Chan undertaking part time roles.

Overall, Bank operations performed in line with expectations. Whilst income was down offsetting savings were achieved. With a relatively wet year the Mini Hydro project has performed above expectations generating a small cash surplus for the year.

One of the outcomes I am particularly proud of is the development of our 2020-2024 Strategic Business Plan. It was a genuine team effort by the Board in developing the plan, under the guidance of Board Director, David Schloeffel. We have set ourselves genuine stretch targets with regular reviews checking in on progress. The delivery of the plan will be a priority for the Board over the next four years.

We also celebrated our 20th anniversary in February, a significant milestone. During that time, we have invested over \$4.6 million into the community and returned in excess of \$1.2 million to shareholders.

The year in review and looking forward - June 2020

Financial performance

A focus of the Board over the last two years has been to improve the overall position of the balance sheet. We have certainly taken positive steps in this direction with a growth in equity by \$390,000. This has largely been achieved through the revaluation of our premises at Warburton, and the improvement in our cash position by just under \$100,000 compared to the same time last year.

Chair's report (continued)

The dividend of 3.6 cents per share for the year, which was fully franked, was paid in November 2019. It is anticipated that the dividend for 2019/20 will be approximately 10% less than the previous year.

Community Investment Fund

Contributions made for 2019/20 were \$173,292 comparing favourably to the previous three financial years of \$281,000, \$284,000 and \$160,000.

The balance of our funds held in the Community Enterprise Foundation™ Trustee account as at 30 June 2020 is \$100,000, an increase of over \$50,000 from the previous year. We did contribute a top up payment at the end of this financial year to achieve positive tax outcomes.

The Board, Board Committees and Management

There have been no changes to the Board during the year. We welcomed three new members, Ric Butler, Anne O'Shaughnessy and Garry Lewis, at last years' annual general meeting bringing our current Board to ten members.

The Board meets 11 times a year, and in addition much of their work is done in sub committees that meet regularly or as required. Our sub-committee structure allows the work of the Board to be evenly spread among all volunteer Directors, and capitalise on the skill base and experience they bring to the Board. It has been a particularly busy year for committees, focussing on the delivery of our business plan objectives.

I would sincerely like to thank our Directors for their support over the year. It can be a thankless task at times. I feel privileged to be working with a genuinely dedicated group who freely volunteer their time on behalf of the community.

The road ahead

There is no doubt that the COVID-19 pandemic has changed the way banking will operate in the future. It has fast tracked the trend over recent years for customers to undertake their day to day banking business online, with over-the-counter and ATM transactions trending downwards. As I sit to write this report in late August, we know that the pandemic is going to continue to impact us all well into 2021. Exactly what impact it will have on our operations is very difficult to predict.

The priority of the Board has not changed, and we anticipate that growth in our business will come from both new customers, and existing customers. An ongoing focus of the Board will be on 'how we capture and retain this business'.

Finally, I would like to take this opportunity to thank all of our customers and shareholders for their continuing support. Please stay safe, and remember that you and your family is what is important in these challenging times.



Rod McKail
Chair

Upper Yarra Community Enterprise Limited

Senior Branch Manager's report

For year ending 30 June 2020

As at 30 June 2020, Community Bank Warburton and Yarra Junction total business holdings increased to \$231 million. This was made up of \$96 million in lending, \$132 million in deposits and the remainder of \$3 million sitting in other business.

2020 saw us enter uncharted territory with pandemic restrictions. This significantly contributed to the decrease of 12% in branch transactions. Despite our new challenges both branches achieved stable growth of \$14 million combined for the year. This outcome is a testament to the commitment of our staff adapting quickly to continue to provide exceptional service to our customers via additional channels.

We had a lot to celebrate this year with Community Bank Warburton celebrating their 20th Birthday, Community Bank Yarra Junction their 12th Birthday and Roslyn Caneva gaining her 20 years of service recognition. Our birthday celebrations consisted of community sausage sizzles, giveaways, cakes, a visit from Piggy all followed by a shareholder and past and present Board members celebration held at the Warburton Waterwheel. It was fantastic to see the community involvement and excitement around our birthdays. Special congratulations to Ros on achieving her significant milestone, your loyalty and commitment to our business is second to none and on behalf of the Board, shareholders, staff, and our customers we thank you.

From a business perspective, over the last year we have concentrated on building a sound foundation that will allow us to be more agile moving forward into the changing banking environment. A full business restructure was completed in February. This has allowed us to create cohesion across both of our branches, align with UYCE's strategic plan and also to accommodate professional growth opportunities for all staff with minimal impact to existing roles.

Together with our UYCE Board, we continue to develop new community initiatives and support opportunities which has seen our total community contributions exceed \$4.6 million since inception.

From coming on board in August, I have thoroughly enjoyed a jam-packed year filled with new and exciting opportunities and challenges. I would like to extend my appreciation for all the support and trust I have received from the UYCE Board members throughout.

To the staff, thank you. You are all extremely committed, caring and capable and I am very excited for what the future will bring. I am more than confident of our continued success at the hands of such a strong and united team.



Kristy Sumner
Senior Branch Manager
Community Bank Warburton and Yarra Junction & District

Managing Director's report

For year ending 30 June 2020

Following the resignation of our Executive Officer in December 2019 the Board took the opportunity to review the Corporate structure. Following this process, they took the step of appointing me as part time Managing Director. A challenging role that I am pleased to take on.

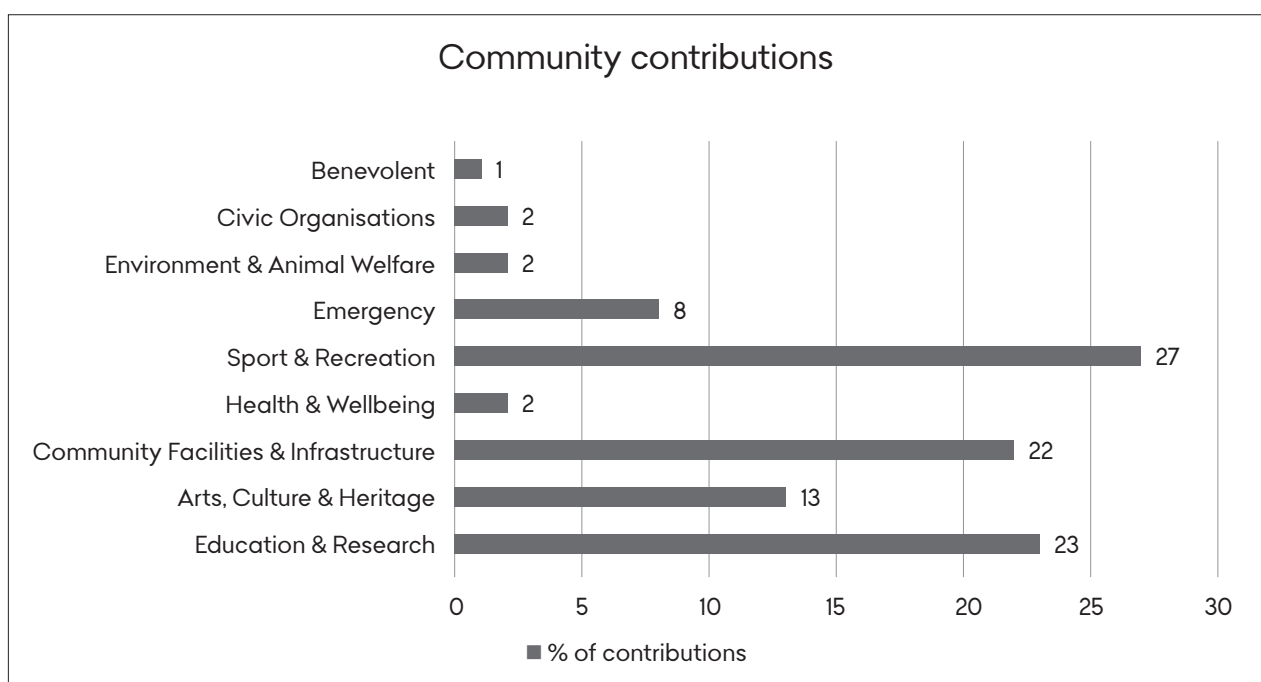
My focus as Managing Director has been, and will be, to work closely with the Board on the delivery of the newly adopted UYCE 2020-2024 Strategic Business Plan. There is no doubt that the COVID-19 pandemic will further impact on the way we work throughout 2020/21 but together with a strong and committed team I am confident we can deliver the expected outcomes.

Community Investment Program

Through our Community Investment Program, at the end of the 2020 financial year, UYCE has reinvested more than \$4.6 million back into the local community over our 20 year span. The community has benefited from more than 1,000 projects for over 300 local community groups and organisations.

For 2020, the last round of our community investment program was not fully expended due to the emergence of the COVID-19 pandemic. This resulted in the cancellation of many planned and supported events, and reduced the direct contribution in 2019/20, compared to previous years. The Board took the opportunity to top up the funds held in the Community Enterprise Foundation™ which will be available for distribution in 2020/21 and beyond.

We will review the delivery of the Community Investment Program for 2020/21 as a result of the COVID-19 pandemic. Our 2019/20 community contribution was still significant and we take pride in knowing we support essential community activities and programs including:



Managing Director's report (continued)

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

Organisation	Project or event	Amount \$
Auspicious Arts Projects	Stories of our Elders, Pilot project	\$5,600
Auspicious Arts Projects	River of Light Winter Festival 2019	\$2,750
Auspicious Arts Projects	The River Folk Festival 2020	\$5,000
Bec Filliponi Therapeutic Services	Upper Yarra Kids Art Club (CIRE)	\$500
Benwerren	Closed outdoor play area	\$6,000
Catprint Production Theatre	Theatre Productions	\$2,000
CEDA	Communications support	\$2,500
CIRE	Gumboots Playgroup Yarra Junction	\$10,500
Corporate Cycling CC	Giro Della Donna Family Cycling event	\$2,500
Eastern Area Multiple Birth Assoc. Inc	Upper Yarra Region Information session	\$500
Powelltown Football Club	Ongoing Sponsorship	\$2,000
St Vincent de Paul Society	2019 Christmas Hampers Upper Conference	\$1,500
Tour de Trails	Warburton Trail Fest	\$1,500
UYCE Annual Scholarship	2020 Geoff Vickers Scholarship	\$7,000
UYCE Limited	Public Defibrillators	\$5,113
Upper Yarra Netball Association	2019 Aussie Hoops Program	\$750
Upper Yarra Toy Library	Upper Yarra Toy Library upgrade	\$4,000
Warburton Advancement League	Yes to Respect Community March and gathering	\$1,500
Warburton Advancement League	Warburton Community Garden signage project	\$990
Warburton Advancement League	Warburton Up and Running	\$1,500
Warburton Advancement League	Warburton Summer Produce Market	\$2,500
Warburton Bowls Club	Ongoing Sponsorship	\$1,600
Warburton CFA	CFA Fitness program	*\$3,960
Warburton CFA	Pumper Equipment fit out	*\$5,940
Warburton Golf Club	Ongoing Sponsorship	\$2,200
Warburton Millgrove Cricket Club	Ongoing Sponsorship	\$1,200
Warburton Millgrove Cricket Club	Ball Buy Ball project	\$1,000
Warburton Millgrove Football Netball Club	Ongoing Sponsorship	\$2,000
Warburton Primary School	Community Sensory Garden	\$4,000
Warburton Tennis Club	Ongoing Sponsorship	\$2,000
Wesburn Junior Football Club	Ongoing Sponsorship	\$1,200
Wesburn Junior Football Club	Junior Subscription support	\$1,500
Wesburn Junior Football Club	AFL compliant jumpers	\$3,000
Yarra Junction Bowling Club	Ongoing Sponsorship	\$1,600
Yarra Junction Cricket Club	Ongoing Sponsorship	\$600
Yarra Junction Football Netball Club	Ongoing Sponsorship	\$2,000
Yarra Junction Football Netball Club	Yarra Valley Friendship Group	\$1,000
Yarra Junction Primary School	125-year School Celebrations	\$1,650

Managing Director's report (continued)

Organisation	Project or event	Amount \$
Yarra Valley Soccer Club	Ongoing Sponsorship	\$2,000
Yarra Valley Arts	Open Studios Program 2019	\$1,100
Yarra Valley Bee Group	Thermal Camera	\$2,000
Yarra Valley ECOSS Inc	Ecotopia 2020	\$2,000
Yarra Valley ECOSS Inc	Community PA	\$5,000
Youth Initiative Award	Ian De La Rue Youth Initiative Award	\$1,000

* Community Enterprise Foundation™

Warburton Mini Hydro (Upper Yarra Community Power)

UYCE continues to support the Ythan Creek Power Station Warburton Hydro otherwise known as the Mini Hydro project. This is managed by Upper Yarra Community Power Pty Ltd (UYCP), as a wholly owned subsidiary of UYCE. I take this opportunity to thank the Directors of UYCP, Luke Whiteside (Chair), Nick Killey, Ric Butler, Neil Jorgenson and Garry Lewis (proxy) for their contribution and support throughout the year. Their ongoing volunteer commitment to this amazing project is genuinely appreciated.

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

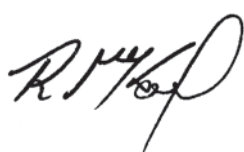
Due to the requirements to consolidate the operations of UYCE and UYCP, and to ensure transparency, set out on the following page is an income statement covering both UYCE and UYCP for the 2019/20 period.

Warburton Waterwheel

UYCE continue to provide a significant in-kind contribution to the Warburton Waterwheel, the Upper Yarra's Visitor Information Centre, through the direct support of coordination and management of the centre. The Waterwheel is the official site for tourism promotion in the Warburton Valley and provides visitor information, an Artists Gallery space, an Indoor Forest/Environment Education Centre and showcases the work of local artists and artisans through a retail space.

The Centre was forced to close its doors in late March 2020 due to COVID-19. I would take this opportunity to acknowledge all of the volunteers who are the lifeblood and success of this organisation. In particular I would like to acknowledge the Warburton Waterwheel Ltd Board consisting of Michael Hibbert (Chair), Peta Godenzi and Anne O'Shaughnessy. I also sit on the Board in the role of Company Secretary. The Board are currently going through the process of developing a Strategic business plan for the centre to support its successful operation into the future.

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



Rodney McKail
Managing Director
Upper Yarra Community Enterprise

Managing Director's report (continued)

Warburton Mini Hydro (Upper Yarra Community Power)

Income Statement Consolidated 1 July 2019 to 30 June 2020

	UYCE	UYCP	Consolidated
Income			
Revenue	1,690,778	82,723	1,773,501
Fair Value Recognition		19,623	19,263
Expenses			
Employee benefits expense	938,749		938,749
Depreciation and amortisation*	82,416	89,765	172,181
Finance costs	1,797	15,919	17,716
Bad and doubtful debts expense	861		861
Administration and general costs	171,618	21,749	193,367
Occupancy expenses	62,698	4,829	67,527
IT expenses	72,846		72,846
ATM Expenses	16,814		16,814
Fair Value Recognition	79,150		79,150
	1,426,949	132,262	1,559,211
Operating profit before charitable donations & sponsorship	263,829	(30,276)	233,553
Charitable donations and sponsorships	173,292		173,292
Profit before income tax	90,537	(30,276)	60,261

*Excludes intercompany transactions totalling \$1,350

Directors' report

For the financial year ended 30 June 2020

The Directors present their report of the company for the financial year ended 30 June 2020.

Directors

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

Directors	Details
Rodney McKail (Chairman)	Rodney was employed in Local Government for over 40 years. He worked at the Upper Yarra Shire & Lilydale Shire (now Yarra Ranges) and Knox City Council, predominantly in the Governance area. He is now retired and has recently taken on the Managing Director role with UYCE.
Elizabeth Fox	BBSoc, Post Grad Diploma Psych, Post Grad Diploma Teaching, Secondary MA Special Ed Elizabeth is co-ordinating the Learning Enhancement Department at Tintern Grammar. She previously worked at Upper Yarra Secondary College for 18 years.
Sally Brennan	Bachelor of Adult Learning and Development, Masters of Education, GAICD Sally has been involved in a broad range of community activities including CEO Upper Yarra Community House (now Cire Services), Secretary/Treasurer Yarra Junction Football Netball Club, President Gladysdale Hall Committee and is currently serving as Deputy Chair of the UYCE. She is a member of several Boards, including the Adult Community and Further Education Board and Adult Learning Australia. She works at Swinburne University.
Hazel Clothier	FIBMS, MScInfDis, MAppEpi, MAICD Hazel is a Public Health epidemiologist specializing in infectious disease surveillance and vaccine safety. Hazel has been an active volunteer firefighter with the Warburton Fire Brigade for over 10 years and was awarded the National Emergency Medal for services in the 2009 Black Saturday fires. She has been Captain of the Brigade since 2014. Hazel is a member of the Australian Institute of Company Directors.
David Schloeffel	MA (Comms), FPRIA, GAICD David has been working to help improve Australian business for 35 years, in his own consultancy work and now as a Business Design Adviser for the Australian Government's 'Entrepreneurs' Program'. He also lectured for 20 years in post graduate business programs, most recently with RMIT.
Sue Clarke	B.Bus (RMIT), Certified Practicing Accountant (CPA), Public Practice Certificate, Registered Tax Agent Sue brings her expertise, specialist knowledge and over 25 years' experience to the Yarra Valley. Sue 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.

Directors' report (continued)

Directors (continued)

Directors	Details
Neil Jorgensen	<p>Bachelor of Education and Diploma of Teaching.</p> <p>Recently retired after 43 years with the Department of Education in various teaching roles and responsibilities including 25 years as a school principal. This included Assistant Principal at Badger Creek Primary School; Principal at Wesburn Primary, Bayswater West Primary, Woori Yallock Primary and Warburton Primary Schools. In addition to school based activities, Neil worked within the district managing the School Support Services program and spent time as chairperson of the local Principals group.</p>
Anne O'Shaughnessy (Appointed 04/09/2019)	<p>Dip Phys ED (Melb), Diploma Of Teaching, Grad Dip Organisation Behaviour (Swinburne)</p> <p>Retired, Anne was a Councillor and Mayor of former City of Croydon Council now Maroondah. For a number of years Anne taught in Australia and overseas. Anne also worked in Local Government for 10 years managing Aged and Disability Services. During this time Anne was involved in several organisations, Eastern Palliative Care, COTA Vic and St Vincent de Paul Community Care. Since coming to the Valley, she continues to have an active involvement in the U3A Upper Yarra and is a Life Member, and in the Upper Yarra Probus Club. She is also a member of the Upper Yarra Valley Garden Club and the Yarra Ranges Film Society. Academically she has teaching qualifications and her most recent qualification was a Graduate Diploma in Organisation Behaviour.</p>
Garry Michael Lewis (Appointed 02/09/2019)	<p>Bachelor of Education and Diploma of Primary Teaching.</p> <p>Garry, recently retired, had been with the Department of Education for 37 years actively involved in a number of teaching roles, local Upper Yarra Primary School Sports Association and other responsibilities. These included Assistant Principal at Gembrook Primary School and Healesville Primary School and Principal at Gladysdale Primary School. During this time he has been actively involved in a number of local sporting clubs in both playing, coaching and administrative roles. He is a Life Member of the Warburton-Millgrove Football & Netball Club, Wesburn Junior Football Club and Warburton-Millgrove Cricket Club.</p>
Richard Harding Butler (Appointed 04/10/2019)	<p>Degree in Interior Design</p> <p>After completing his studies Ric started his own business in the field of office design, stationery and office machines in Bayswater. He was a founding director of a national dealer-owned franchise group (Office National). Ric is a long serving Committee member and Director on a cross section of local community and sporting groups. In the last two years he has developed a Tiny House construction business with three local people. One of the focuses is the possibility of tiny houses as a social housing model.</p>

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

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
	A	B	A	B
Rodney McKail (Chairman)	11	11	4	4
Elizabeth Fox	11	9	N/A	N/A
Sally Brennan	11	10	N/A	N/A
Hazel Clothier	11	7	4	2
David Schloeffel	11	7	N/A	N/A
Sue Clarke	11	7	4	4
Neil Jorgensen	11	10	N/A	N/A
Anne O'Shaughnessy (Appointed 04/09/2019)	9	8	N/A	N/A
Garry Michael Lewis (Appointed 02/09/2019)	9	9	N/A	N/A
Richard Harding Butler (Appointed 04/10/2019)	8	8	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Rodney McKail has been the Company Secretary of Upper Yarra Community Enterprise Limited since February 2019. Rodney was employed in Local Government for over 40 years. He worked at the Upper Yarra Shire, Lilydale Shire (now Yarra Ranges) and Knox City Council, predominantly in the Governance area.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$462,451 (2019 profit: \$151,690), which is a 204.9% increase as compared with the previous year. Primarily due to revaluation of property.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period. AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

Directors' report (continued)

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions. Covid-19 has not materially impacted the financial performance of the organisation for the 19/20 financial year. Whilst total income was down 2.25% against budget over the year, savings of 9.9% in expenditure was also achieved as a result of staff vacancies, a minor restructure of branch operations and closing on Saturday mornings during the pandemic.

Overall we exceeded our growth targets in footings for the year by 3%, lending slightly below target but deposits exceeding expectations. We have implemented a range of measures to ensure the safety and wellbeing of customers and staff, including safety shields for tellers, hand sanitiser at branches and increased the frequency of cleaning. Teller transactions reduced in the last quarter by an average of 12%. Similarly ATM transaction reduced by 26% when compared with the first nine months of the financial year.

UYCE was qualified for the federal government's cash flow boost scheme and Victorian government's payroll tax relief. UYCE have not been severely affected to date by COVID 19 to be eligible for any other government grants. As the above trends continue well into the 20/21 financial year, in conjunction with the historically low interest rates, it may materially impact on our financial performance during that period. The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

A fully franked final dividend of 3.6 cents per share was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 14 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Warburton on 07 September 2020.



Rodney McKail
Director

Auditor's independence declaration



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

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admin@rsdaudit.com.au
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Auditors Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Upper Yarra Community Enterprise Limited

In accordance with Section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

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

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 8 September 2020

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue	2	1,773,501	1,873,757
Fair value reorganisation	2	19,263	-
Expenses			
Employee benefits expense	3	(938,749)	(978,248)
Depreciation and amortisation	3	(170,831)	(109,854)
Finance costs	3	(17,716)	(13,840)
Bad and doubtful debts expense	3	(861)	(5,050)
Administration and general costs		(193,367)	(210,374)
Occupancy expenses		(67,527)	(107,690)
IT expenses		(72,846)	(73,819)
ATM Expenses		(16,814)	(21,731)
Fair value increase/(decrease)	3	(79,150)	13,237
		(1,557,861)	(1,507,369)
Operating profit before charitable donations and sponsorship		234,903	366,388
Charitable donations and sponsorship		(173,292)	(160,380)
Profit before income tax		61,611	206,008
Income tax (expense)/benefit	4	4,498	(54,318)
Profit for the year after income tax		66,109	151,690
Other comprehensive income			
Revaluation of land & building		546,678	-
Tax on revaluation		(150,336)	-
Net other comprehensive income		396,342	-
Total comprehensive income for the year		462,451	151,690
Profit attributable to members of the company		462,451	151,690
Total comprehensive income attributable to members of the company		462,451	151,690
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	21	26.51	8.70

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5	387,747	290,908
Trade and other receivables	6	147,589	122,362
Inventories	7	19,263	-
Financial assets	8	136,204	203,874
Current tax asset	4	14,772	8,901
Other assets	9	6,056	8,710
Total current assets		711,631	634,755
Non-current assets			
Property, plant and equipment	10	2,124,121	1,674,618
Intangible assets	11	123,487	4,262
Total non-current assets		2,247,608	1,678,880
Total assets		2,959,239	2,313,635
Liabilities			
Current liabilities			
Trade and other payables	13	78,017	75,861
Franchise fee payable	13	26,943	-
Borrowings	14	33,000	22,908
Leases	15	10,691	-
Provisions	16	127,475	110,214
Total current liabilities		276,126	208,983
Non-current liabilities			
Franchise fee payable	13	80,828	-
Borrowings	14	371,835	399,812
Provisions	16	5,191	13,353
Deferred tax liability	4	164,861	29,670
Total non-current liabilities		622,715	442,835
Total liabilities		898,841	651,818
Net assets		2,060,398	1,661,817
Equity			
Issued capital	17	977,708	977,708
Retained earnings	18	686,348	684,109
Reserves	20	396,342	-
Total equity		2,060,398	1,661,817

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2020

	Note	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 July 2019		977,708	684,109	-	1,661,817
Comprehensive income for the year					
Profit for the year		-	66,109	-	66,109
Other comprehensive income for the year		-	-	396,342	396,342
		-	66,109	396,342	462,451
Transactions with owners in their capacity as owners					
Dividends paid or provided	19	-	(63,870)	-	(63,870)
Balance at 30 June 2020		977,708	686,348	396,342	2,060,398
Balance at 1 July 2018 (reported)		977,708	626,136	-	1,603,844
Change due to the adoption of AASB 9		-	(5,009)	-	(5,009)
Balance at 1 July 2018 (restated)		977,708	621,127	-	1,598,835
Comprehensive income for the year					
Profit for the year		-	151,690	-	151,690
Other comprehensive income for the year		-	-	-	-
		-	151,690	-	151,690
Transactions with owners in their capacity as owners					
Dividends paid or provided	21	-	(88,708)	-	(88,708)
Balance at 30 June 2019		977,708	684,109	-	1,661,817

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,904,818	1,965,274
Payments to suppliers and employees		(1,616,568)	(1,726,722)
Dividends received		11,354	11,275
Interest paid		(17,716)	(13,840)
Interest received		420	534
Income tax paid		(16,517)	(53,782)
Net cash flows provided by operating activities	22b	265,791	182,739
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,421)	(158,194)
Purchase of investments		(11,480)	(18,844)
Purchase of intangible assets		(26,943)	-
Net cash flows used in investing activities		(45,844)	(177,038)
Cash flows from financing activities			
Repayment of borrowings		(17,885)	(21,489)
Repayment of lease liabilities		(41,353)	-
Dividends paid		(63,870)	(88,708)
Net cash flows used in financing activities		(123,108)	(110,197)
Net increase/(decrease) in cash held		96,839	(104,496)
Cash and cash equivalents at beginning of financial year		290,908	395,404
Cash and cash equivalents at end of financial year	22a	387,747	290,908

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Upper Yarra Community Enterprise Limited (the Company) as an individual entity.

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

The financial statements were authorised for issue by the Directors on 07 September 2020.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branches franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist. An impairment loss is recorded if the asset's recoverable amount exceeds its carrying amount.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. Note that the changes in accounting policies specified below **ONLY** apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than \$10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 5.39%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

AASB 16 Leases (continued)

	\$
Total operating lease commitments disclosed at 30 June 2019	102,988
Recognition exemptions:	
· leases of low value assets	-
· leases with remaining lease terms of less than 12 months	-
Variable lease payments not recognised	-
Other minor adjustments relating to commitment disclosures	-
Operating lease liabilities before discounting	102,988
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	52,044
Lease liability as at 1 July 2019	
Represented by:	
Current lease liabilities	52,044
Non-current lease liabilities	-
	52,044

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 \$	1 July 2019 \$
Properties	10,409	52,044
Total right-of-use assets	10,409	52,044

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance sheet item	Effect	Amount
Property, plant and equipment	Increase	52,044
Lease liabilities	Increase	52,044

(g) Change in accounting policies

Accounting policy applicable from 1 July 2019

The Company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(g) Change in accounting policies (continued)

Accounting policy applicable from 1 July 2019 (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

Accounting policy applicable before 1 July 2019

The Company as a lessee

Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(g) Change in accounting policies (continued)

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

Note 2. Revenue

	2020 \$	2019 \$
Revenue		
- service commissions	1,616,504	1,672,279
- feed in tariff & LGC income	82,614	27,016
	1,699,118	1,699,295
Other revenue		
- interest received	420	534
- dividends received	11,354	11,275
- government grant	-	150,000
- cashflow boost	62,500	-
- other revenue	109	12,653
	74,383	174,462
Total revenue	1,773,501	1,873,757
Fair value recognition		
- fair value of Renewable Energy Certificates	19,263	-
	19,263	-

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

Notes to the financial statements (continued)

Note 2. Revenue (continued)

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).

Rendering of services

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

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: Deposits & Loans

Margin

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

Commission

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

Fee Income

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

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

Notes to the financial statements (continued)

Note 2. Revenue (continued)

Form and Amount of Financial Return (continued)

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

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

Government grants and tariff income

Government grants and tariff income is recognised on receipt.

Electricity financial instruments and Energy certificates

i) Electricity financial instruments measured at fair value

The Company enters into electricity financial instruments. The Company determines the fair value of these financial instruments, which includes swaps, options, PPAs and long-term energy procurement using market based valuation methods as outlined in Note 1. It has taken into account the conditions existing at balance date and has used its judgement in the following areas:

- Future price and volume estimation using in-house and off-the-shelf valuation models; and
- Discounting for time value of money; and
- Option volatility

ii) Energy certificates

Like financial instruments measured at fair value, energy certificates held for trading are measured at fair value. The Company determines the fair value of these certificates using market based valuation methods as outlined in note 1. It has taken into account the conditions existing at balance date and has used its judgement in determining the fair value. LGCs and GECs used solely to satisfy retail sales commitments and surrender obligations are measured at cost.

Note 3. Expenses

	2020 \$	2019 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	820,947	887,896
- superannuation costs	74,626	73,914
- other costs	43,176	16,438
	938,749	978,248

Notes to the financial statements (continued)

Note 3. Expenses (continued)

	2020 \$	2019 \$
Profit before income tax includes the following specific expenses: (continued)		
Depreciation and amortisation		
Depreciation		
- buildings	31,572	23,300
- leasehold improvements	4,628	5,637
- plant and equipment	27,924	24,471
- furniture and fittings	5,464	5,021
- start-up expenses	44,120	44,118
- lease (AASB 16)	41,635	-
	155,343	102,547
Amortisation		
- franchise fees	15,488	7,307
	15,488	7,307
Total depreciation and amortisation	170,831	109,854
Finance costs		
- Interest paid	17,716	13,840
Bad and doubtful debts expenses	861	5,050
(Gain) / Loss on disposal of property, plant and equipment	1,298	-
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,450	5,100
	5,450	5,100
Fair value movement		
- fair value movement of listed investments	(79,150)	13,237
	(79,150)	13,237

Operating expenses

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

Depreciation

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

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

Class of asset	Rate	Method
Buildings	3%	Straight line
Leasehold improvements	7.5% - 18.75%	Diminishing value
Fixture & fittings	2% - 20%	Diminishing value
Plant and equipment	10% - 25%	Diminishing value
Franchise and renewal fee	20%	Straight line
Right-of-Use Asset	80%	Straight line



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Notes to the financial statements (continued)

Note 3. Expenses (continued)

Depreciation (continued)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

	2020 \$	2019 \$
a. The components of tax expense comprise:		
Current tax expense	15,179	34,590
Deferred tax expense	136,251	23,408
Franking credits	(4,866)	(4,832)
Under / (over) provision of prior years	(1,059)	1,152
Tax allocated to revaluation reserve	(150,336)	-
Prior year intercompany tax adjustment	333	-
	(4,498)	54,318

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% (2019: 27.5%)	16,943	56,652
Add tax effect of:		
- Imputation credits	(3,527)	(3,503)
- Under / (over) provision of prior years	(1,059)	1,152
- Non-deductible expenses	-	248
- Non assessable cash flow boost	(17,188)	-
Income tax attributable to the entity	(4,831)	54,549
The applicable weighted average effective tax rate is:	7.30%	-26.37%

c. Current tax liability

Current tax relates to the following:

Current tax liabilities / (assets)		
Opening balance	(8,901)	13,970
Income tax paid	(16,517)	(53,781)
Current tax	15,179	34,590
Under / (over) provision prior years	-	1,152
Franking credit offset	(4,866)	(4,832)
Prior year intercompany tax adjustment	333	
	(14,772)	(8,901)

Notes to the financial statements (continued)

Note 4. Income tax (continued)

	2020 \$	2019 \$
d. Deferred tax liability		
Deferred tax relates to the following:		
Property, plant & equipment	(151,030)	16,486
Accruals	7,481	4,271
Employee provisions	36,483	33,981
Unused tax losses	16,427	17,137
ROU assets and lease liabilities from AASB 16	78	
	(90,561)	71,875
Deferred tax liabilities comprise:		
Accrued income	3,439	6
Financial assets carried at FVTPL	(20,026)	1,740
Non-assessable income	84,900	97,404
Prepayments	5,987	2,395
	74,300	101,545
Net deferred tax liability	(164,861)	(29,670)
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(14,180)	(9,479)
(Decrease) / increase in deferred tax liabilities	143,811	34,787
Increase in deferred tax liability recognised in equity	(687)	(1,900)
	128,944	23,408

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 for the current period. 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.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

Notes to the financial statements (continued)

Note 5. Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and on hand	387,747	290,908
	387,747	290,908

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

The effective interest rate on short-term bank deposits was 1.3% (2019: 2.25%); these deposits have an average maturity of 90 days.

Note 6. Trade and other receivables

	2020 \$	2019 \$
Current		
Trade receivables	127,688	122,342
Other receivables	19,901	20
	147,589	122,362

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo and Adelaide Bank Limited monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

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 Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

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 \$	
2020						
Trade receivables	127,688	127,688	-	-	-	-
Other receivables	19,901	19,901	-	-	-	-
Total	147,589	147,589	-	-	-	-

Notes to the financial statements (continued)

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

Note 7. Inventories

	2020 \$	2019 \$
Renewal energy certificates	19,263	-
	19,263	-

Inventories acquired at no cost or generated internally are valued at the market value. Inventories held for sale are measured at the lower of cost and net realised value.

Note 8. Financial assets

Amortised cost

Term deposits	7,697	7,570
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Fair value through profit and loss

Listed investments	128,507	196,304
	136,204	203,874

The effective interest rate on short-term bank deposits was 1.3% (2019: 2.25%); these deposits have an average maturity of 90 days.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

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

Classifications are determined by both:

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

(b) Measurement of financial assets

Financial assets at amortised cost

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

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

Notes to the financial statements (continued)

Note 8. Financial assets (continued)

(b) Measurement of financial assets (continued)

Financial assets at amortised cost (continued)

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

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

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

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

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

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

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

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

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

(c) 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 9. Other assets

	2020 \$	2019 \$
Prepayments	6,056	8,710
	6,056	8,710

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

Notes to the financial statements (continued)

Note 10. Property, plant and equipment

	2020 \$			2019 \$		
	At cost / valuation	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land & Buildings - at fair value	1,666,703	(159,414)	1,507,289	1,099,618	(121,771)	977,847
Leasehold improvements - at cost	166,432	(112,370)	54,062	186,839	(113,813)	73,026
Plant and equipment - at cost	596,145	(164,411)	431,734	600,201	(143,336)	456,865
Furniture and fittings - at cost	140,244	(109,348)	30,896	139,857	(106,828)	33,029
Startup cost	220,596	(130,865)	89,731	220,596	(86,745)	133,851
Right of Use -Assets	52,044	(41,635)	10,409	-	-	-
Total property, plant and equipment	2,842,164	(718,043)	2,124,121	2,247,111	(572,493)	1,674,618

Land and buildings

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Director's valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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 are 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.

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.

Notes to the financial statements (continued)

Note 10. Property, plant and equipment (continued)

Leased assets

As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

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 entity does not have any capital expenditure commitments at 30 June 2020 (2019: None)

(b) Movements in carrying amounts of PP&E

2020	Land & Buildings \$	Leasehold Improvements \$	Plant & Equipment \$	Furniture & Fittings \$	Startup Cost \$	Right-of-Use Assets \$	Total \$
Opening carrying value	977,847	73,026	456,865	33,029	133,851		1,674,618
Adjustment for adoption of AASB 16	-	-	-	-	-	52,044	52,044
Restated opening net book amount	977,847	73,026	456,865	33,029	133,851	52,044	1,726,662
Additions	-	-	3,250	4,171	-	-	7,421
Disposals	-	-	(457)	(840)	-	-	(1,297)
Transfers	14,336	(14,336)	-	-	-	-	-
Revaluations	546,678	-	-	-	-	-	546,678
Depreciation	(31,572)	(4,628)	(27,924)	(5,464)	(44,120)	(41,635)	(155,343)
Closing carrying value	1,507,289	54,062	431,734	30,896	89,731	10,409	2,124,121
2019	Land & Buildings \$	Leasehold Improvements \$	Plant & Equipment \$	Furniture & Fittings \$	Startup Cost \$	Right-of-Use Assets \$	Total \$
Opening carrying value	444,580	63,815	1,072,526	38,050	-	-	1,618,971
Additions	129,747	-	20,983	-	7,464	-	158,194
Disposals	-	-	-	-	-	-	-
Transfers	426,820	14,848	(612,173)	-	170,505	-	-
Revaluations	-	-	-	-	-	-	-
Depreciation	(23,300)	(5,637)	(24,471)	(5,021)	(44,118)	-	(102,547)
Closing carrying value	977,847	73,026	456,865	33,029	133,851	-	1,674,618

Notes to the financial statements (continued)

Note 10. Property, plant and equipment (continued)

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

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020 \$
Properties	10,409
Total right-of-use assets	10,409

	2019 \$	2020 \$
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(c) Historical cost

If land and buildings were stated at historical cost, amounts would be as follows:

Cost	1,099,618	1,120,025
Accumulated Depreciation	(121,771)	(159,414)
Net book value	977,847	960,611

(d) Right of use assets

The Company's lease portfolio includes buildings, plant and equipment.

Options to extend or terminate

The option to extend or terminate are contained in the property leases of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

(i) AASB 16 related amounts recognised in the statement of financial position

	Leased Building \$	Total Right of use asset \$
Leased Asset	52,044	52,044
Accumulated depreciation	(41,635)	(41,635)
	10,409	10,409

Movements in carrying amounts:

	Leased Building \$	Total Right of use asset \$
Recognised on initial application of AASB 16		
- previously classified as operating leases	52,044	52,044
- transferred from property, plant & equipment	-	-
Additions	-	-
Depreciation expense	(41,635)	(41,635)
Net carrying amount	10,409	10,409

Notes to the financial statements (continued)

Note 10. Property, plant and equipment (continued)

(d) Right of use assets (continued)

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2020 \$
Depreciation charge related to right-of-use assets	41,635
Interest expense on lease liabilities	1,794
Total cash outflows for leases	43,429

Note 11. Intangible assets

	2020 \$			2019 \$		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	134,713	(11,226)	123,487	36,535	(32,273)	4,262
Total intangible assets	134,713	(11,226)	123,487	36,535	(32,273)	4,262

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

2020	Opening written down value \$	Additions \$	Amortisation \$	Closing written down value \$
Franchise fees	4,262	134,713	(15,488)	123,487
Total intangible assets	4,262	134,713	(15,488)	123,487
2019	Opening written down value \$	Additions \$	Amortisation \$	Closing written down value \$
Franchise fees	11,569	-	(7,307)	4,262
Total intangible assets	11,569	-	(7,307)	4,262

Note 12. 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. Where available, quoted prices in an active market are used to determine fair value. 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.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

Notes to the financial statements (continued)

Note 13. Trade and other payables

	2020 \$	2019 \$
Current		
Unsecured liabilities:		
Trade creditors	14,299	13,506
Other creditors and accruals	63,718	62,355
	78,017	75,861
Franchise fee payable	26,943	-
Non Current		
Unsecured liabilities:		
Franchise fee payable	80,828	-

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.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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

Note 14. Borrowings

	2020 \$	2019 \$
Current		
Secured liabilities		
Bank loan	33,000	22,908
	33,000	22,908
Non-current		
Secured liabilities		
Bank loan	371,835	399,812
	371,835	399,812
Total borrowings	404,835	422,720

Loans

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

Borrowings 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.

The weighted average effective interest rate on the bank loans is 3.08% per annum (2019: 4.12% per annum).

(a) Bank loans

The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 3.08% per annum. This loan has been created to fund the hydro project and is secured by property at 3389 Warburton Highway, Warburton, VIC.

Notes to the financial statements (continued)

Note 15. Leases

	2020 \$	2019 \$
Current		
Property Leases	10,691	-
	10,691	-
Non-current		
Property Leases	-	-
	-	-
Total leases	10,691	-

The Company has lease for property. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as a lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9)

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is NIL.

At 30 June 2020, the Company was committed to short-term leases and the total commitment at that date was NIL

Total cash outflows for leases for the year ended 30 June 2020 was \$41,353 (2019: NIL).

Note 16. Provisions

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount (Note 9)	Depreciation Expense	Impairment
Property Leases	10,409	41,635	-
	10,409	41,635	-

	2020 \$	2019 \$
Current		
Employee benefits	127,475	110,214
Non-current		
Employee benefits	5,191	13,353
Total provisions	132,666	123,567

Notes to the financial statements (continued)

Note 16. Provisions (continued)

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

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 17. Share capital

	2020 \$	2019 \$
400,000 Ordinary shares fully paid	400,000	400,000
574,160 Ordinary shares fully paid	594,452	594,452
800,000 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	(16,744)	(16,744)
	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	1,744,160	1,744,160
At the end of the reporting period	1,744,160	1,744,160

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

Notes to the financial statements (continued)

Note 17. Share capital (continued)

(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 18. Retained earnings

	2020 \$	2019 \$
Balance at the beginning of the reporting period	684,109	626,136
Adjustment to retain earning for prior year market revaluation		(5,009)
Profit for the year after income tax	66,109	151,690
Dividends paid	(63,870)	(88,708)
Balance at the end of the reporting period	686,348	684,109

Note 19. Dividends paid or provided for on ordinary shares

	2020 \$	2019 \$
(a) Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 3.6 cents per share (2019: 5 cents) franked at the tax rate of 27.5% (2019: 27.5%).	63,870	88,708

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

(b) Franking credit balance

Balance at the beginning of the reporting period	326,151	306,017
Movements during the period	1,989	20,134
Balance at the end of the reporting period	328,140	326,151

Notes to the financial statements (continued)

Note 20. Reserves

	2020 \$	2019 \$
Asset revaluation reserve		
Balance at the beginning of the reporting period	-	-
Fair value movements during the period	396,342	-
Balance at the end of the reporting period	396,342	-

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

Note 21. Earnings per share

	2020 \$	2019 \$
Basic earnings per share (cents)	26.51	8.70
Earnings used in calculating basic earnings per share	462,451	151,690
Weighted average number of ordinary shares used in calculating basic earnings per share	1,744,160	1,744,160

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

Note 22. Statement of cash flows

	2020 \$	2019 \$
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	387,747	290,908
As per the Statement of Cash Flow	387,747	290,908
(b) Reconciliation of cash flow from operations with loss after income tax		
Profit for the year after income tax	66,109	151,690
Non-cash flows in profit		
- Depreciation and amortisation	170,831	109,854
- Bad debts	861	5,050
- Fair value increase	79,150	(13,237)
- Net loss on disposal of property, plant & equipment	1,298	-
- Tax on revaluation	(150,336)	-
- Prior year adjustment	(333)	-

Notes to the financial statements (continued)

Note 22. Statement of cash flows (continued)

	2020 \$	2019 \$
(b) Reconciliation of cash flow from operations with loss after income tax (continued)		
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(26,087)	39,315
- (increase) / decrease in prepayments and other assets	2,654	(656)
- (increase) / decrease in inventories	(19,263)	-
- (Increase) / decrease in deferred tax asset	135,192	23,407
- Increase / (decrease) in trade and other payables	2,154	(65,143)
- Increase / (decrease) in current tax liability	(5,871)	(22,871)
- Increase / (decrease) in provisions	9,099	(44,670)
Net cash flows from operating activities	265,458	182,739

(c) Credit standby arrangement and loan facilities

The company has no bank overdraft and commercial bill facility.

(d) Changes in Liabilities arising from Financing Activities

	1-Jul-19 \$	Cash Flows \$	Non-cash changes					30-Jun-20 \$
			Initial application of AASB 16 \$	Acquisition \$	Fair Value Changes \$	Re classification \$		
Borrowings	422,720	-17,885	-	-	-	-		404,835
Lease liabilities	-	-	10,691	-	-	-		10,691
Total	422,720	-17,885	10,691	-	-	-		415,526

Note 23. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

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

	2020 \$	2019 \$
Short-term employee benefits	5,256	79,589
Total key management personnel compensation	5,256	79,589

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.

Notes to the financial statements (continued)

Note 23. Key management personnel and related party disclosures (continued)

(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.

Name of related party	Description of goods / services provided	Value \$
Rodney McKail	Managing Director Salary & Super	5,256

The Upper Yarra Community Enterprise Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

(d) Key management personnel shareholdings

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

	2020	2019
Rodney McKail (Chairman)	1,000	1,000
Elizabeth Fox	-	-
Sally Brennan	1,000	1,000
Hazel Clothier	-	-
David Schloeffel	-	-
Sue Clarke	-	-
Neil Jorgensen	1,500	1,500
Anne O'Shaughnessy (Appointed 04/09/2019)	1,000	-
Garry Michael Lewis (Appointed 02/09/2019)	-	-
Richard Harding Butler (Appointed 04/10/2019)	6,000	-
	10,500	3,500

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Note 24. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

Notes to the financial statements (continued)

Note 24. Community Enterprise Foundation™ (continued)

	2020 \$	2019 \$
Opening Balance	49,849	98,912
Contributions	76,421	-
Grants Paid	(16,260)	(50,389)
Interest	591	1,326
GST	(6,351)	-
Management fees	(3,473)	-
Balance available for distribution in future periods	100,776	49,849

Note 25. 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 26. Contingent liabilities and contingent assets

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

Note 27. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Warburton and Yarra Junction, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 95% of the revenue (2019: 89%).

Note 28. Commitments

	2020 \$	2019 \$
(a) Operating lease commitments		
Payable:		
- no later than 12 months	-	44,728
- between 12 months and five years	-	58,260
- greater than five years	-	-
Minimum lease payments	-	102,988

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

(b) Capital commitments

Capital liabilities are payable exclusive of GST as follows:

- no later than 12 months	-	-
- between 12 months and five years	300,000	300,000
- greater than five years	-	-
Minimum liability	300,000	300,000

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

Notes to the financial statements (continued)

Note 29. Company details

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

Note 30. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments as detailed in the accounting policies are as follows:

	Note	2020 \$	2019 \$
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	387,747	290,908
- Trade and other receivables	6	147,589	122,362
		535,336	413,270
Investments designated as fair value through other comprehensive income:			
- Listed investments	8	128,507	196,304
		128,507	196,304
Total financial assets		663,843	609,574
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	13	78,017	75,861
- Borrowings	14	404,835	422,720
- Lease Liabilities	15	10,691	-
Total financial liabilities		493,543	498,581

(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.

Notes to the financial statements (continued)

Note 30. Financial instrument risk (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

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.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2020					
Financial assets					
- Cash and cash equivalents	1.45%	387,747	387,747	-	-
- Trade and other receivables		147,589	147,589	-	-
- Listed investments		128,507	128,507	-	-
Total anticipated inflows		663,843	663,843	-	-
Financial liabilities					
- Trade and other payables		78,017	78,017	-	-
- Borrowings	3.08%	404,835	33,000	371,835	-
- Lease Liabilities		10,691	10,691		
Total expected outflows		493,543	121,708	371,835	-
Net inflow / (outflow) on financial instruments		170,300	542,135	(371,835)	-

Notes to the financial statements (continued)

Note 30. Financial instrument risk (continued)

(b) Liquidity risk (continued)

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2019					
Financial assets					
- Cash and cash equivalents	1.46%	290,908	290,908	-	-
- Trade and other receivables		122,362	122,362	-	-
- Listed investments		196,304	196,304	-	-
Total anticipated inflows		609,574	609,574	-	-
Financial liabilities					
- Trade and other payables		75,861	75,861	-	-
- Borrowings	4.12%	422,720	22,908	399,812	-
Total expected outflows		498,581	98,769	399,812	-
Net inflow / (outflow) on financial instruments		110,993	510,805	(399,812)	-

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

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

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

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

Other price risk

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

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

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

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

Notes to the financial statements (continued)

Note 30. Financial instrument risk (continued)

(c) Market risk (continued)

Sensitivity analysis

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.

	2020		2019	
	Profit \$	Equity \$	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	3,877	3,877	2,909	2,909
+/- 1% in interest rates (interest expense)	(4,048)	(4,048)	(4,227)	(4,227)
	(171)	(171)	(1,318)	(1,318)
	Profit \$	Equity \$	Profit \$	Equity \$
+/- 10% in equity prices	1,285	1,285	1,963	1,963
	1,285	1,285	1,963	1,963

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

Note 31. Fair value measurements

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

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

- freehold land and buildings
- listed investments

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

Notes to the financial statements (continued)

Note 31. Fair value measurements (continued)

(a) Fair value hierarchy

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

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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

	30 June 2020			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements				
Non-financial assets				
Freehold land Buildings	-	1,507,289	-	1,507,289
Total non-financial assets recognised at fair value	-	1,507,289	-	1,507,289
Financial assets				
Listed investments	128,507	-	-	128,507
Total financial assets recognised at fair value	128,507	-	-	128,507
	30 June 2019			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements				
Financial assets				
Listed investments	196,304	-	-	196,304
Total financial assets recognised at fair value	196,304	-	-	196,304

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2019: no transfers).

(b) Valuation techniques

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

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

Notes to the financial statements (continued)

Note 31. Fair value measurements (continued)

(b) Valuation techniques (continued)

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

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2020 \$	Description of valuation techniques	Inputs used
Freehold land & buildings	1,507,289	Market approach	Market Rent, Capital Adjustments

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

(c) Reconciliation of recurring Level 2 Fair value measurements

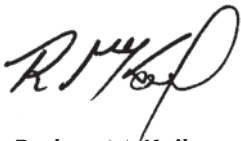
	Freehold land Buildings \$
Level 2	
Balance at the beginning of the year	977,847
Additions during the year	14,336
Gains/(losses) recognised in profit or loss during the year	515,106
Settlements during the year	-
Balance at the end of the year	1,507,289

Directors' declaration

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

1. The financial statements and notes, as set out on pages 16 to 52 are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 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 2020 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



Rodney McKail
Director

Signed at Warburton on 07 September 2020.

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 (the Company), which comprises the statement of financial position as at 30 June 2020, 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 other explanatory information, and the directors' declaration.

In our opinion the accompanying 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 2020 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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 Company 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.

Richmond Sinnott & Delahunty, trading as RSD Audit
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Auditor's Responsibility for the Audit of the Financial Report

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.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.



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 2020, 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. In 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
RSD Audit

A handwritten signature in dark ink, appearing to be 'Katie' or 'Kathie' with a stylized flourish.

Kathie Teasdale
Partner
Bendigo
Dated: 8 September 2020

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