Annual Report 2022

Heidelberg District Community Enterprise Limited

Community Bank
East Ivanhoe

ABN 62 095 312 744


banking

Contents

HDCE Chair Report 2022

The last financial year has been a challenging one for Heidelberg District Community Enterprise Ltd (HDCEL) and the Board of Directors as we faced challenges around our business model. The Covid impact on our business was again present in the financial year, and we continued to operate in an environment of low interest rates and the impact this has on our margin income. This was following on from a 2020/2021 financial year loss of approximately $30,000.

With pressure from the external environment, rapidly changing customer behaviours and forecasted future budget losses the Board were faced with a long-term sustainability challenge. Given our successful and profitable journey up to more recent times and the incredible impact that our community contributions of close to $4 million have made in our local community, the Board committed to reversing this trend. The Board appropriately focused its attention on a strategy that would address these issues. We worked with the assistance of external facilitators and our partner Bendigo and Adelaide Bank (BEN) to analyse relevant data and customer trends to inform our decision making around our future.

Our renewed strategy focused on future proofing our business through consolidation of our footprint and growing our mobile presence. Our two-branch structure which we implemented in 2009 with the opening of Heidelberg was no longer the structure to best serve our customer base's changing behaviour and our community. Data indicated with our two branches at only 3.5 km apart, company resources would be better served via a single physical presence and an uplift in our mobile staff without compromising customer service.

Implementation of this strategy began in late 2021 with the onboarding of our second Mobile Relationship Manager ensuring we could meet our customer needs when, where, and how the customer determined.

During January and February 2022, the company actioned the consolidation phase of our strategy with our focus on the impact on staff and customers being at the forefront. Although not without its challenges the consolidation process was delivered with a public announcement on February 1st 2022 and the closure of Heidelberg branch occurring on February 28th 2022. After we vacated the Heidelberg site, it was returned to an agreed state by the end of our lease in mid-September 2022. Our staff team were strongly supported through this transition with assistance from the People & Culture team at BEN to ensure their well-being was front of mind.

Implementing our strategy has led to solid growth of our business from the consistent efforts of our two Mobile Relationship Managers combined with a reduction in expenses, particularly property.

Given the last few challenging years it is affirming to note that although the company had braced itself for a significant loss the Company posted a profit of $68,597 after tax.

Our leadership team over the financial year of 2021/2022 oversaw our banking business of $407 million. Syed Zaidi, our incumbent MRM was joined by James Fernandes in late 2021, doubling our mobile team to meet the demands of our current and new customer base to do business in a more flexible and efficient way. Our Management team during this period consisted of Haylee Doering, Mark Munro and Adi Kedia. They led our branch teams ensuring our large customer base was supported and serviced to the highest standard.

The Victorian Homebuyer Fund was a positive government initiative that noted Bendigo Bank as one of the two preferred suppliers. This initiative proved positive for the business as did ongoing growth from our community relationships built over our 21 year history supporting our community.

During 2021/2022, we farewelled Haylee Doering, Jo-Ann Downey, Liz Costelow and Mark Munro, while welcoming Adi Kedia and Kamna Madan to our staff team

Our current position is testament to the focus of the Board and the staff team, who despite the challenges, were able to focus on providing consistent customer service to our community. At June 2022, HDCEL had a healthy balance sheet with net assets of $2,341,893.

HDCEL is sound, is governed well, we have a strong and respected partner in Bendigo and Adelaide Bank and we as a business continue to deliver a valuable customer experience.

HDCEL's mission is

- to grow a sound and profitable banking facility for the Heidelberg District and surrounding communities,
- to provide value for our shareholders, staff, customers and the community, and
- to support community programs and groups in providing key benefits to their communities by allocating annually a minimum of 25% of our Gross Profit to this purpose

With pride I share that the 2021/22 investment into our community via sponsorships, grants and donations is $124,906 and brings the total HDCEL investment of $3,781,895 into the community that supports this powerful social enterprise called community banking.

I wish to thank our staff team who have shown fortitude and resilience this last year as they have continued to face a rapid changing landscape, the ever-present threat of Covid and the universal fallout of its impact.

Our Board continues to be supported by Pam Tremlett and Carly Kluge who assist in the smooth running of the Company and the strong relationship we forge with our local community. Their efforts are highly valued and of vital importance.

My fellow Directors have stepped up over the last financial year as we worked with focus on future proofing our company. I am appreciative of their elevated and increased commitment to their director roles and to the support they have shown me in the role of Chair.

To our HDCEL shareholders I thank you. You have enabled the Community Bank model to deliver real impact in our community and can proudly share this story - Please do so with pride and share this wonderful story.

Proudly in our 22nd year of operation, the Board of Directors has announced a dividend of 4c per share fully franked. This is our 19th successive dividend allocation.

Nancy L Caple

Nancy Louise Caple

Chair

Making an impact in our local community

Heidelberg District Community Enterprise continued its support of a diverse range of sporting clubs, community groups and charitable organisations through the grant and sponsorship programs in 2021/22. Pictured below is a snapshot of some project highlights.

We were proud to support the Alphington Bowls Club in their Centenary Year. Bowling mats were upgraded and a number of club events were staged to mark the occasion.

New Bendigo Bank CFO Andrew Morgan joined HDCE Chair Nan Caple in a tour of some local community groups including Big Group Hug, pictured here with BGH CEO Bernadene Voss.

HDCE continued the support of the BANSIC Food Hub with a grant to cover their operational costs. The Food Hub currently provides assistance to over 200 families per month.

It was great to have three Presidents of our local footy clubs join us at the 2022 Community Partners Night. Pictured here is Craig Toohey of Heidelberg West FC, Warren Haysom of North Heidelberg SC and Dave Howe of Marcellin Old Collegians Football Club.

HDCE continues to distribute life-saving defibrillators to local organisations, and disability support group "Celebrating Abilities" was a recent recipient.

Following a tough two years it was wonderful to see the colourful Heidelberg Allstars back on the stage. HDCE has contributed financial support for their costumes for many years and love to see them in action.

The Youth Foundation 3081 program continues to encourage youth-led initiatives. We were thrilled to join them at the Pavilion School for their NAIDOC Week celebrations which incorporated a smoking ceremony and a breathtaking performance from Koorie Youth Will Shake Speaks.

Mobile Relationship Manager James Fernandes joined the players from the Northcote United Cricket Club who donned our yellow Bendigo Bank sunglasses.

The Preston Cricket Club received sponsorship for the junior coaching development project.

The Ivanhoe Knights Basketball Club is one of the many junior sporting clubs sponsored by the Community Bank East Ivanhoe. Our funds support the development of coaches.

Community Bank East Ivanhoe's support of East Ivanhoe Primary School continued with investment into a program that empowers the senior students of the school to initiate and implement projects that assist the school community. James Fernandes pictured here with Acting Principal Tom Boyle.

With our scholarship program at Melbourne Polytechnic up and running, we were invited to host a stall at their various Trade Days on campus. MRM James Fernandes pictured here with some of the carpentry students.

Community Engagement

Mobile Relationship Managers Syed Zaidi and James Fernandes have been able to assist many customers at a time and place convenient to them, making our bankers more accessible.

Community Bank East Ivanhoe's Julie and Mark showcase some of the gifts donated for the 3081 Angels Christmas Toy Drive. The Angels were overwhelmed by the generosity of our customers, staff and Board.

Female AFL footy continues to grow and HDCE proudly supports many local clubs fielding female teams, including the Parkside Junior Football Club.

SALT (Sport and Life Training) hosted their sponsor breakfast again in 2022 – this is a really proud partnership that has grown to include all Metro and Regional Community Bank branches.

The Ivanhoe Park Croquet Club were very grateful for the support provided by HDCE to upgrade their flagpoles and plaques in their club.

Nan with Heidelberg Junior Football Club Treasurer Brett North.

It was a joy to join the Northcote United Cricket Club Junior Blast Presentation.

HDCE were well-represented again at the annual Ivanhoe Bowling Club MND fundraiser. Directors John, Peter and Brian and their wives formed a team for this great event which the club hosts each year.

Our Trade Stalls at Melbourne Polytechnic were a huge hit with the students – enjoying a donut and a chat with our team.

Bendigo and Adelaide Bank Report

Community Bank Report 2022
BEN Message

July 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

CNBC Report

Year ending 30th June 2022

As a shareholder in your local Community Bank, you are part of this incredible social network that is playing an increasingly important role in the Australian economy.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches.

The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

The Community Bank network invests via grants, donations and sponsorships that connect with and care for generations of Australians. Funding programs range from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. The Community Bank influence further extends to facilitating and attracting other partners to help subsidise much needed community projects.

The relationship with the Bank, which has been fashioned out of shared effort, risk and reward, is clearly a philosophy that works. Also supporting the network, is the Community Bank National Council (CBNC), which advocates and influences on behalf of the 240 community enterprises with its partners.

The three strategic pillars of the 22-23 CBNC strategy are to:

- Develop a community network strategy to ensure the ongoing sustainability of our community enterprises
- Advocate for and champion the uniqueness and value of our social enterprises
- Unite the network to leverage our community presence and amplify our community impact

All directors and shareholders should feel proud of the network which has collectively delivered enormous impact in our local communities.

We are community builders and investors with a national presence, whilst still retaining grass roots community connections. It's through this unique point of difference, and the commitment of our directors and shareholders, that we are well positioned to embrace the change that is upon us.

Next year our Community Bank network celebrates 25 years, but in many respects, it's only the beginning for our collective of social enterprises.

Warm regards

Sarah Franklyn
CBNC Chair

Directors' Report

The Directors present their report together with the Financial Statements of the Company for the financial year ended 30 June 2022.

Directors

The Directors of the Company who held office during the financial year and to the date of this report are:

Nancy Louise Caple

Chair and Independent Non-executive Director
Self employed

Nancy established and operated So Swish (retail business) from 1989 – 2016. She was instrumental in establishing the East Ivanhoe Community branch in 2000. She has a Bachelor of Education and taught prior to 1989. Nan currently holds the Victorian Metro elected position on the Community Bank National Council. She is also the Company Secretary for the family management consulting business. Nan is Chair of the Sycamore Tree Uniting Church Coffee Shop Management committee, a social enterprise located in Heidelberg.

COMMITTEE MEMBER: Marketing and Business Development (Chair), Human Resources, Consolidation (Chair)

INTEREST IN SHARES: 27,500

Russell James Hutchins

Company Secretary and Independent Non-executive Director
Retired IT Consultant

Prior to retiring in 2018, Russell had over 30 years experience in banking and information technology and has worked in a variety of technical and commercial roles. He holds degrees in Science and Business. He is committed to ensuring that the Company operates as a well-managed, ethical, high functioning and profitable business to enable it to continue supporting local community initiatives and organisations to the fullest extent possible.

COMMITTEE MEMBER: Audit and Governance (Chair), Human Resources, Consolidation

INTEREST IN SHARES: 13,000

Brian Thomas Simpson

Independent Non-executive Director (resigned 30 June 2022)
Retired Bank Executive

Brian has had a highly successful career in the banking sector spanning four decades. He has a particular interest in sporting organisations and lives locally in Ivanhoe.

COMMITTEE MEMBER: Human Resources, Audit and Governance

INTEREST IN SHARES: 10,000

John Kenneth Nelson

Independent Non-executive Director
Retired Accountant

John served on the Board from 2007 to 2012, and after a break returned in December 2015. John is a qualified Chartered Accountant, and has over 35 years experience in industry as an accountant. He retired from full-time work 14 years ago. He has extensive corporate secretariat knowledge including previously performing the role of Company Secretary for an ASX listed Company. John has lived in the local area all of his life.

COMMITTEE MEMBER: Audit and Governance, Special Responsibility: Property

INTEREST IN SHARES: 1,533

Directors (continued)

Jason Gerard Dwyer

Treasurer and Independent Non-executive Director (resigned 7 July 2022)
Senior Manager

Jason has recently joined Accenture Strategy and Consulting as a leader in their Commercial banking practise. His key focus is on Banking transformation, Commercial Pricing and Asset finance. Jason worked for Bendigo Bank in many key leadership roles across debtor finance, customer experience and equipment finance. He was Regional Manager for Small Business banking for Southeastern Victoria for the last 3 years. Jason is a qualified CPA with 10 years in public practice and a strong background in information systems. Jason holds Bachelor degrees in Arts and Commerce from La Trobe University, and a Graduate Diploma in Information Systems. He lived in Heidelberg for 17 years and now lives in Northcote.

COMMITTEE MEMBER: Audit and Governance

INTEREST IN SHARES: 5,000

Anne Marie Rogan

Deputy Chair and Independent Non-executive Director
Education Manager

Anne has worked in education across schools, universities, TAFE and Medical Colleges. For the last 15 years she has led complex teams with a variety of stakeholders to deliver a broad range of national education based projects.

COMMITTEE MEMBER: Human Resources

INTEREST IN SHARES: nil

Jeremy Frank McAuliffe

Independent Non-executive Director
Consultant

Jeremy has over 30 years experience in community sector organisations in operational management and executive leadership roles. He currently operates a consulting business that provides governance, compliance and operational support to the aged care sector. He has qualifications in community services and business administration and is an alumnus of the Cranlana Centre for Ethical Leadership. He has lived in the Ivanhoe area for over 25 years and is a life member of two local sporting clubs.

COMMITTEE MEMBER: Human Resources (Chair), Marketing and Business Development, Consolidation

INTEREST IN SHARES: 3,450

Tara O'Brien

Independent Non-executive Director
Student

Tara was involved in the Bendigo Bank Future Director program for two years. She is currently completing her Bachelor of Laws and Bachelor of Commerce, majoring in Accounting. She grew up and continues to live locally. She previously acted as student representative on her Secondary School's Board.

COMMITTEE MEMBER: Audit and Governance, Marketing and Business Development, Consolidation

INTEREST IN SHARES: nil

Peter Philip Howe

Independent Non-executive Director (resigned 23 August 2022)
Chartered Accountant

Peter has worked in his own accounting practice for many years, as well as for various accounting practices as an employee or consultant. Peter is involved in tennis and golf clubs and Rotary. Peter holds graduate and post graduate qualifications from both the University of Melbourne and RMIT.

COMMITTEE MEMBER: Audit and Governance

INTEREST IN SHARES: nil

Directors (continued)

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

No Directors have material interest in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Russell James Hutchins.
Russell was appointed to the position of Secretary on 13 November 2012.

Principal activity

The principal activity of the Company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results

The profit/(loss) of the Company for the financial year after provision for income tax was:

Year ended 30 June 2022 $	Year ended 30 June 2021 $
68,597	(29,451)

Operating and financial review

Overview of the Company

The Company is a franchisee of Bendigo Bank providing financial products and services to individuals, businesses and organisations throughout the local area via the East Ivanhoe and former Heidelberg Community Bank branches and a mobile presence. The full suite of Bendigo Bank products and services are offered, however margin earnings primarily from loans and then deposits are the predominant contributors to Company results.

The Financial Statements this year reflect what were the generally depressed economic environment, the historically low cash rates set by the Reserve Bank and their impact on margins, the effects of the COVID-19 pandemic and lockdowns, the lack of supply in the residential home market and extremely low returns on deposits. However, more recently, conditions have improved and the Company is able to report a return to profitability for 2022. These conditions included improved margins, the expansion of our mobile banking presence and consolidation of our physical operations.

Key Metrics

Five year summary of performance	Unit	2022	2021	2020	2019	2018
Operating revenue	$	1,878,074	1,918,525	2,344,448	2,519,346	2,494,759
Earnings before interest, tax, depreciation, and amortisation	$	325,882	216,566	606,616	402,164	509,634
Earnings before interest and tax	$	111,831	(9,976)	375,596	329,723	440,986
Net profit/(loss) after tax	$	68,597	(29,451)	237,705	236,792	319,675
Total assets	$	2,871,095	3,450,088	3,537,408	3,124,437	2,948,223
Total liabilities	$	529,202	1,130,824	1,096,758	414,739	314,430
Total equity	$	2,341,893	2,319,264	2,440,650	2,709,698	2,633,793
Net cash flow from operating activities	$	337,223	135,202	575,164	258,343	338,435
Business footings [1 & 2]	$	407 million	370 million	365 million	401 million	386 million

1. This is a non-IFRS measure of the business domiciled to the Company from the franchisor. The footings is the underlying business which generates revenue under the franchise agreement. Business footings include loans, deposits, wealth products (up until 2019), and other business.
2. The sale of Bendigo Bank's Wealth business during the 2020 financial year resulted in a $9m reduction in the Company's footings in that financial year.

Shareholder Returns

Profit/(loss) attributable to owners of the Company	Unit	2022	2021	2020	2019	2018
Profit/(loss) attributable to owners of the Company	$	68,597	(29,451)	237,705	236,792	319,675
Basic earnings per share	¢	2.98	(1.28)	10.34	10.30	13.91
Dividends paid	¢	45,968	91,935	172,379	160,887	137,903
Dividends per share	¢	2.00	4.00	7.50	7.00	6.00
Net tangible assets per share	¢	100.00	97.00	101.00	107.00	109.00
Price earnings ratio	¢	2.98	(1.28)	10.34	10.30	13.91
Share price	¢	20.00	60.00	75.00	75.00	75.00

Dividends for 2022 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Operating and financial review (continued)

Company Performance

The tables above show the gross revenue, profits and dividends for the last 5 years for the Company, as well as the share prices at the end of the respective financial years. Whilst revenue had been increasing year on year up until 2020 and then declining, there is no direct correlation between net profit and revenue. This is partially explained by the Company prioritising grants and sponsorships to community groups in preference to reporting profit growth. The Company's performance over the last 5 years has not been reflected in the Company's share price, albeit that in prior years dividends had generally been maintained but by necessity reduced in 2021 and 2022. In 2022, the Company decided not to maintain the same level of contributions to the Community Enterprise Foundation, as the Company already had sufficient funds accumulated in the Foundation to cover its grants program.

Financial position

The Company recorded a profit for the financial year ended 30 June 2022 for reasons outlined in the Overview of the Company. The financial position of the Company remains strong:

- The cash and cash equivalents position of the Company for the reporting year were $1,183,299.
- The Company maintains a resilient balance sheet, ending June 2022 with net assets of $2,341,893 and borrowings of just $1,495.
- The Company does not actively gear its operations, however, as a result of adopting AASB 16 Leases from 1 July 2019, lease liabilities of $252,658 are now reported on the balance sheet.

Drivers of business performance

The results for the 2021/22 financial year reflect a challenging but improving market. Interest margin decreased under the revenue share arrangement as the market experienced significant re-financing at lower interest rates. However, more recently conditions have improved.

COVID-19 continued to create an uncertain economic environment in Melbourne. The mandatory lockdowns produced significant business disruptions across the community.

Business strategies

To address the challenges that exist within the business and in recognition of the current financial circumstances, both in the economy and the observed impact upon the Bendigo Bank profit share model, the Board has agreed three main objectives:

1. Remaining adaptive to the everchanging economic environment.
2. Future proofing the business.
3. Diversify to survive.

Future outlook

The Company believes there are opportunities to develop additional revenue through:

1. Leveraging the Company's mobile lending capabilities.
2. Acquiring additional customers through our strong community relationships.
3. Deepening existing customer relationships.

The Company anticipates more favourable market conditions during the forthcoming financial year.

Remuneration report

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain key management personnel to run and manage the Company.

Key management personnel remuneration policy

Key management personnel receive a base salary, superannuation and discretionary performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each Manager and is based predominantly on the forecast growth of the Company's financial indicators and the contribution of each Manager towards achieving these targets. The Board may exercise its discretion in relation to approving incentives and bonuses. The policy is designed to attract high calibre Managers and reward them for performance results.

Key management personnel receive a superannuation guarantee contribution as required by the government and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Employment agreements have been entered into with key management personnel, the terms of which are not expected to change in the immediate future.

Key management performance based remuneration

The key performance indicators (KPIs) are set annually in consultation with key management personnel to ensure commitment. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for lending and deposit growth and profit. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is reviewed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in consultation with regional management of Bendigo Bank.

Non-executive Director remuneration policy

All Directors are independent non-executive Directors and are eligible to be paid Director fees.

The Board's policy is to remunerate non-executive Directors for the demands placed on their time, as well as their commitment and responsibilities. The amount paid is determined by the Board within the limits previously approved by shareholders.

Fees for non-executive Directors are not linked to the performance of the Company.

Director remuneration includes compulsory superannuation for the financial year ended 30 June 2022. The fees for the Chair, Secretary and Treasurer are determined separately to the other Directors.

Non-executive Director remuneration

	2022 $
Nancy Louise Caple	5,500
Russell James Hutchins	5,500
Brian Thomas Simpson	3,300
John Kenneth Nelson	3,300
Jason Gerard Dwyer	5,500
Anne Marie Rogan	3,300
Jeremy Frank McAulliffe	3,300
Tara O'Brien	3,300
Peter Philip Howe	3,300
	36,300

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	**Changes during the year**	**Balance at the end of the year**
Nancy Louise Caple	22,500	5,000	27,500
Russell James Hutchins	13,000	-	13,000
Brian Thomas Simpson	10,000	-	10,000
John Kenneth Nelson	1,533	-	1,533
Jason Gerard Dwyer	5,000	-	5,000
Anne Marie Rogan	-	-	-
Jeremy Frank McAuliffe	3,450	-	3,450
Tara O'Brien	-	-	-
Peter Philip Howe	-	-	-

Dividends

During the financial year, the following dividends were provided for and paid.
The dividends have been provided for in the Financial Statements.

	Cents per share	Total amount $
Final fully franked dividend	2	45,968

Significant changes in the state of affairs

During the financial year, the Company consolidated its operations by closing the Heidelberg branch. The last day of operations was 28 February 2022.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed elsewhere in this Report or the Financial Statements.

Likely developments

The Company will continue its policy of facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and Officers in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Officers of the Company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) attended by each of the Directors of the Company during the financial year were:

E - eligible to attend **A** - number attended	Board Meetings Attended		Committee Meetings Attended							
			Audit and Governance		Human Resources		Marketing and Business Development		Consolidation	
	E	**A**	E	**A**	E	**A**	E	**A**	E	**A**
Nancy Louise Caple	11	**10**	-	**-**	10	**10**	11	**9**	12	**12**
Russell James Hutchins	11	**9**	6	**5**	10	**8**	-	**-**	12	**8**
Brian Thomas Simpson	11	**10**	4	**4**	10	**7**	-	**-**	-	**-**
John Kenneth Nelson	11	**10**	6	**5**	-	**-**	-	**-**	-	**-**
Jason Gerard Dwyer	11	**9**	6	**3**	-	**-**	-	**-**	-	**-**
Anne Marie Rogan	11	**8**	-	**-**	10	**8**	-	**-**	-	**-**
Jeremy Frank McAuliffe	11	**9**	-	**-**	10	**10**	11	**9**	12	**11**
Tara O'Brien	11	**11**	6	**6**	-	**-**	11	**11**	12	**12**
Peter Philip Howe	11	**9**	2	**2**	-	**-**	-	**-**	-	**-**

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 29 to the accounts.

The Board of Directors has considered the non-audit services provided during the year by the Auditor and, in accordance with the advice received from the Audit and Governance Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the Auditor independence requirements of *the Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Governance Committee to ensure they do not impact on the impartiality, integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the Directors at East Ivanhoe, Victoria.

Nancy Louise Caple

Chair

Dated this 16th day of September 2022

Auditor's Independence Declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited's, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 16 September 2022

Joshua Griffin
Lead Auditor

Financial Statements

Heidelberg District Community Enterprise Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from contracts with customers	8	1,798,255	1,793,787
Other revenue	9	76,194	118,148
Finance income	10	3,625	6,590
Employee benefit expenses	11c)	(882,555)	(1,005,324)
Advertising and marketing expenses		(136,129)	(134,032)
Occupancy and associated costs		(115,375)	(120,600)
Systems costs		(78,439)	(101,150)
Depreciation and amortisation expense	11a)	(214,051)	(226,542)
Finance costs	11b)	(20,188)	(39,121)
General administration expenses		(201,751)	(222,353)
Loss on disposal of asset	11e)	(28,361)	-
Profit before community contributions and income tax		**201,225**	**69,403**
Charitable donations, grants and sponsorships expense		(109,582)	(118,500)
Profit/(loss) before income tax		**91,643**	**(49,097)**
Income tax (expense)/credit	12a)	(23,046)	19,646
Profit/(loss) after income tax		**68,597**	**(29,451)**
Total comprehensive income for the year attributable to the ordinary shareholders of the Company:		**68,597**	**(29,451)**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	32a)	2.98	(1.28)

The accompanying Notes form part of these Financial Statements

Heidelberg District Community Enterprise Limited
Statement of Financial Position
for the year ended 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	13	1,183,299	1,128,532
Trade and other receivables	14a)	208,003	156,747
Current tax assets	18a)	9,685	56,100
Total current assets		**1,400,987**	**1,341,379**
Non-current assets			
Property, plant and equipment	15a)	1,335,149	1,485,430
Right-of-use assets	16a)	110,698	543,894
Intangible assets	17a)	24,261	77,069
Deferred tax asset	18b)	-	2,316
Total non-current assets		**1,470,108**	**2,108,709**
Total assets		**2,871,095**	**3,450,088**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	82,693	89,162
Loans and borrowings	20a)	1,495	1,438
Lease liabilities	21a)	103,993	192,507
Employee benefits	23a)	44,897	78,607
Provisions	22a)	49,391	-
Total current liabilities		**282,469**	**361,714**
Non-current liabilities			
Trade and other payables	19b)	14,260	57,530
Lease liabilities	21b)	148,665	634,162
Employee benefits	23b)	9,841	779
Provisions	22b)	43,552	76,639
Deferred tax liability	18b)	30,415	-
Total non-current liabilities		**246,733**	**769,110**
Total liabilities		**529,202**	**1,130,824**
Net assets		**2,341,893**	**2,319,264**
EQUITY			
Issued capital	24a)	1,641,165	1,641,165
Reserves	25a)	295,301	295,301
Retained earnings	26	405,427	382,798
Total equity		**2,341,893**	**2,319,264**

The accompanying Notes form part of these Financial Statements

Heidelberg District Community Enterprise Limited

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2020		**1,641,165**	**295,301**	**504,184**	**2,440,650**
Total comprehensive income for the year		-	-	(29,451)	(29,451)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31	-	-	(91,935)	(91,935)
Balance at 30 June 2021		**1,641,165**	**295,301**	**382,798**	**2,319,264**
Balance at 1 July 2021		**1,641,165**	**295,301**	**382,798**	**2,319,264**
Total comprehensive income for the year		-	-	68,597	68,597
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31	-	-	(45,968)	(45,968)
Balance at 30 June 2022		**1,641,165**	**295,301**	**405,427**	**2,341,893**

The accompanying Notes form part of these Financial Statements

Heidelberg District Community Enterprise Limited

Statement of Cash Flows

for the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		2,005,327	2,103,528
Payments to suppliers and employees		(1,728,667)	(1,903,125)
Interest received		4,521	9,021
Interest paid		(58)	(136)
Income taxes received/(paid)		56,100	(37,915)
Net cash provided by operating activities	27	**337,223**	**171,373**
Cash flows from investing activities			
Payments for property, plant and equipment		(964)	(4,270)
Payments for intangible assets		(18,969)	(26,150)
Net cash used in investing activities		**(19,933)**	**(30,420)**
Cash flows from financing activities			
Repayments of lease liabilities		(216,555)	(236,768)
Dividends paid	31	(45,968)	(91,935)
Net cash used in financing activities		**(262,523)**	**(328,703)**
Net cash increase/(decrease) in cash held		**54,767**	**(187,750)**
Cash and cash equivalents at the beginning of the financial year		1,128,532	1,316,282
Cash and cash equivalents at the end of the financial year	13	**1,183,299**	**1,128,532**

The accompanying Notes form part of these Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1 Reporting entity

This is the Financial Report for Heidelberg District Community Enterprise Limited (the Company). The Company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal places of business are:

Registered Office	**Principal Places of Business**
233-235 Lower Heidelberg Road Ivanhoe East VIC 3079	233-235 Lower Heidelberg Road Ivanhoe East VIC 3079

Further information on the nature of the operations and principal activity of the Company is provided in the Directors' Report. Information on the Company's related party relationships is provided in Note 30.

Note 2 Basis of preparation and statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and *the Corporations Act 2001*. The Financial Statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The Financial Statements have been prepared on an accrual and historical cost basis, except for certain properties. The Financial Report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These Financial Statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 16 September 2022.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these Financial Statements.

a) Revenue from contracts with customers

The Company has entered into a franchise agreement with Bendigo Bank. The Company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the Company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is mainly derived from loans granted and deposits held. Fees are based on the Company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the Company's right to receive the payment is established.

The Company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the Company's revenue

These Notes form part of the Financial Statements

Note 4 Summary of significant accounting policies (continued)
a) Revenue from contracts with customers (continued)

stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the Company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the Company – margin, commission and fee income. Bendigo Bank decides the form of revenue the Company earns on different types of products and services.

The revenue earned by the Company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- minus any costs of funds i.e. interest applied by to fund a loan.

The Company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the Company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the Company has fulfilled its performance obligation.

The Company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the Company, and is a significant judgement area.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the Company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Note 4 Summary of significant accounting policies (continued)
a) Revenue from contracts with customers (continued)

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the Company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the Company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The Company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Revenue stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the Company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the Board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The Company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the Company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank

The Company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The Company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The Directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The Company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The Company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The Company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the Company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank 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 and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager 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
- sales techniques and proper customer relations
- providing payroll services.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the Statement of Financial Position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the Statement of Financial Position.

Note 4 Summary of significant accounting policies (continued)
d) Employee benefits (continued)

Defined superannuation contribution plans

The Company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

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 taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Note 4 Summary of significant accounting policies (continued)
e) Taxes (continued)
Goods and Services Tax (continued)

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Building	Straight-line	40 years
Leasehold improvements	Straight-line and diminishing value	3 to 13 years
Plant and equipment	Straight-line and diminishing value	2 to 10 years
Motor vehicles	Straight-line	3 to 8 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the Company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the Company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if required.

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial instruments include trade and other debtors and creditors, cash and cash equivalents, lease liabilities and borrowings.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the Company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.

The Company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the Company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the Company. The Company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Note 4 Summary of significant accounting policies (continued)
l) Provisions (continued)

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

m) Leases

At inception of a contract, the Company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the Company is reasonably certain to exercise that option. For leases of property the Company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The Company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the Company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the Company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 4 Summary of significant accounting policies (continued)

n) Fair value measurement

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following note:

Note		Judgement	
Note 21 - leases:			
a	control	a	whether a contract is or contains a lease at inception by assessing whether the Company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b	lease term	b	whether the Company is reasonably certain to exercise extension options, termination periods, and purchase options;
c	discount rates	c	judgement is required to determine the discount rate, where the discount rate is the Company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the Company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 15 - fair value	determining the fair value less costs to sell of the disposal group on the basis of valuations performed by a third party qualified valuer using quoted prices for similar assets in an active market;
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;
Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation.

Note 5 Significant accounting judgements, estimates, and assumptions (continued)

Note 6 Financial risk management

The Company has exposure to credit, liquidity and market risk arising from financial instruments. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank. The Company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2022

Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,495	1,495	-	-
Lease liabilities	252,658	111,172	153,803	-
Trade and other payables	96,953	82,693	14,260	-
	351,106	195,360	168,063	-

30 June 2021

Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,438	1,438	-	-
Lease liabilities	826,669	221,535	674,704	-
Trade and other payables	146,692	89,162	57,530	-
	974,799	312,135	732,234	-

These Notes form part of the Financial Statements

Note 6 Financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk.

The Company held cash and cash equivalents of $1,183,299 at 30 June 2022 (2021: $1,128,532). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 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 distributions 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.

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 Company over that 12 month period where 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 for the year ended 30 June 2022 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2022	2021
	$	$
Margin income	1,616,797	1,602,334
Fee income	96,848	106,398
Commission income	84,610	85,055
	1,798,255	**1,793,787**

Note 9 Other revenue

	2022	2021
	$	$
Rental income	62,201	58,198
Market development fund income	8,750	7,500
Cash flow boost	-	37,500
Other income	5,243	14,950
	76,194	**118,148**

Note 10 Finance income

	2022	2021
	$	$
Term deposits	**3,625**	**6,590**

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

a) Depreciation and amortisation expense

	2022	2021
	$	$
Depreciation of non-current assets:		
Buildings	18,563	18,563
Leasehold improvements	82,806	36,836
Plant and equipment	13,525	6,328
Motor vehicles	7,990	7,990
	122,884	**69,717**
Depreciation of right-of-use assets		
Leased land and buildings	**71,914**	**132,655**
Amortisation of intangible assets:		
Franchise fee	3,655	4,395
Franchise renewal process fee	15,598	19,775
	19,253	**24,170**
Total depreciation and amortisation expense	**214,051**	**226,542**

These Notes form part of the Financial Statements

Note 11 Expenses (continued)

b) Finance costs

	2022	2021
	$	$
Bank loan interest paid or accrued	57	135
Lease interest expense	17,209	36,171
Unwinding of make-good provision	2,922	2,815
	20,188	**39,121**

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Employee benefit expenses

	2022	2021
	$	$
Wages and salaries	725,905	845,768
Non-cash benefits	8,535	8,610
Contributions to defined contribution plans	76,203	83,939
Expenses related to long service leave	(2,157)	(10,407)
Other expenses	74,069	77,414
	882,555	**1,005,324**

d) Recognition exemption

The Company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2022	2021
	$	$
Expenses relating to low-value leases	**40,334**	**50,198**

e) Other expenses

	2022	2021
	$	$
Sale of property, plant and equipment	**28,361**	-

Loss on disposal of assets due to closure of Heidelberg branch during the current period.

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2022	2021
	$	$
Current tax expense/(credit)		
Current tax	5,691	148
Future income tax benefit attributable to losses	(15,376)	(36,839)
Movement in deferred tax	32,731	16,952
Reduction in Company tax rate	-	93
	23,046	**(19,646)**

b) *Prima facie* income tax reconciliation

	2022	2021
	$	$
Operating profit/(loss) before taxation	91,643	(49,097)
Prima facie tax on loss from ordinary activities at 25% (2021: 26%)	22,911	(12,765)
Tax effect of:		
Non-deductible expenses	135	2,776
Temporary differences	(32,731)	(16,952)
Other assessable income	-	(9,750)
Movement in deferred tax	32,731	16,952
Reduction in Company tax rate	-	93
	23,046	**(19,646)**

Note 13 Cash and cash equivalents

	2022	2021
	$	$
Cash at bank and on hand	253,049	198,282
Term deposits	930,250	930,250
	1,183,299	**1,128,532**

Note 14 Trade and other receivables

a) Current assets

	2022	2021
	$	$
Trade receivables	194,523	137,593
Prepayments	4,266	9,044
Other receivables and accruals	9,214	10,110
	208,003	**156,747**

Note 15 Property, plant and equipment

a) Carrying amounts

	2022	2021
	$	$
Land		
At fair value	**607,500**	**607,500**
Buildings		
At fair value	742,500	742,500
Accumulated depreciation	(74,52)	(55,689)
	668,248	**686,811**
Leasehold improvements		
At cost	506,537	506,537
Accumulated depreciation	(456,865)	(345,698)
	49,672	**160,839**
Plant and equipment		
At cost	118,562	117,598
Accumulated depreciation	(114,305)	(100,780)
	4,257	**16,818**
Motor vehicles		
At cost	39,950	39,950
Accumulated depreciation	(34,478)	(26,488)
	5,472	**13,462**
Total written down amount	**1,335,149**	**1,485,430**

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts

	2022	2021
	$	$
Land		
Carrying amount at beginning	**607,500**	**607,500**
Buildings		
Carrying amount at beginning	686,811	705,374
Depreciation	(18,563)	(18,563)
	668,248	**686,811**
Leasehold improvements		
Carrying amount at beginning	160,839	197,675
Disposals	(28,361)	-
Depreciation	(82,806)	(36,836)
	49,672	**160,839**
Plant and equipment		
Carrying amount at beginning	16,818	18,876
Additions	964	4,270
Depreciation	(13,525)	(6,328)
	4,257	**16,818**
Motor vehicles		
Carrying amount at beginning	13,462	21,452
Depreciation	(7,990)	(7,990)
	5,472	**13,462**
Total written down amount	**1,335,149**	**1,485,430**

c) Changes in estimates

During the financial year, the Company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

d) Fair value

The fair value of investment property was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the Company's investment property portfolio every 3 to 5 years.

The Company's freehold land and buildings were independently valued effective 15 June 2018 by Miles Real Estate, a member of the Real Estate Institute of Victoria (REIV). Members of REIV are governed by a code of conduct and are constantly updated on the latest legislative changes.

Note 16 Right-of-use assets

a) Carrying amounts

	2022 $	2021 $
Leased land and buildings		
At cost	2,167,350	2,528,632
Accumulated depreciation	(2,056,652)	(1,984,738)
Total written down amount	**110,698**	**543,894**

b) Reconciliation of carrying amounts

	2022 $	2021 $
Leased land and buildings		
Carrying amount at beginning	543,894	369,549
Remeasurement adjustments	(361,282)	307,000
Depreciation	(71,914)	(132,655)
Carrying amount at end	**110,698**	**543,894**

See note 21 lease liabilities for information on the remeasurement.

Note 17 Intangible assets

a) Carrying amounts

	2022 $	2021 $
Franchise fee		
At cost	66,648	72,241
Accumulated amortisation	(61,796)	(58,141)
	4,852	**14,100**
Franchise establishment fee		
At cost	70,000	70,000
Accumulated amortisation	(70,000)	(70,000)
	-	-
Franchise renewal process fee		
At cost	203,428	231,389
Accumulated amortisation	(184,019)	(168,420)
	19,409	**62,969**
Total written down amount	**24,261**	**77,069**

Note 17 Intangible assets (continued)

b) Reconciliation of carrying amounts

	2022	2021
	$	$
Franchise fee		
Carrying amount at beginning	14,100	18,495
Disposals	(5,593)	-
Amortisation	(3,655)	(4,395)
	4,852	**14,100**
Franchise renewal process fee		
Carrying amount at beginning	62,969	82,744
Disposals	(27,962)	-
Amortisation	(15,598)	(19,775)
	19,409	**62,969**
Total written down amount	**24,261**	**77,069**

c) Changes in estimates

During the financial year, the Company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 18 Tax assets and liabilities

a) Current tax

	2022	2021
	$	$
Income tax payable/(refundable)	**(9,685)**	**(56,100)**

b) Deferred tax

	2022	2021
	$	$
Deferred tax assets		
· expense accruals	1,076	1,025
· employee provisions	13,685	19,847
· make-good provision	23,236	19,160
· lease liability	63,165	206,667
Total deferred tax assets	**101,162**	**246,699**
Deferred tax liabilities		
· income accruals	179	403
· property, plant and equipment	103,723	108,006
· right-of-use assets	27,675	135,974
Total deferred tax liabilities	**131,577**	**244,383**
Net deferred tax assets (liabilities)	**(30,415)**	**2,316**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**32,731**	**17,045**

Note 19 Trade creditors and other payables

Where the Company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities

	2022	2021
	$	$
Trade creditors	7,310	20,745
Other creditors and accruals	75,383	68,417
	82,693	**89,162**

b) Non-current liabilities

	2022	2021
	$	$
Other creditors and accruals	**14,260**	**57,530**

Note 20 Loans and borrowings

a) Current liabilities

	2022	2021
	$	$
Current portion of secured bank loans	**1,495**	**1,438**

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2022		30 June 2021	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	**4.60%**	**2023**	**1,495**	**1,495**	**1,438**	**1,438**

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date.

The Company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The Company's lease portfolio includes:

- East Ivanhoe Branch 'The lease agreement commenced in April 2001. A 2 year renewal option was exercised in April 2021. The Company has 1 x 2 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is March 2025. The discount rate used in calculations is 3.54%.
- Heidelberg Branch 'The lease agreement commenced in July 2009. A 3 year renewal option was exercised in September 2019. The Company has 1 x 3 year renewal options available which for AASB 16: Leases purposes they are not reasonably expected to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2022. The discount rate used in calculations is 3.54%.

Note 21 Lease liabilities (continued)

a) Current lease liabilities

	2022	2021
	$	$
Property lease liabilities	111,172	221,535
Unexpired interest	(7,179)	(29,028)
	103,993	**192,507**

b) Non-current lease liabilities

	2022	2021
	$	$
Property lease liabilities	153,803	674,704
Unexpired interest	(5,138)	(40,542)
	148,665	**634,162**

c) Reconciliation of lease liabilities

	2022	2021
	$	$
Balance at the beginning	826,669	714,102
Remeasurement adjustments	(357,456)	313,164
Lease interest expense	17,209	36,171
Lease payments - total cash outflow	(233,764)	(236,768)
	252,658	**826,669**

The remeasurement this financial year was due to the closure of the Heidelberg branch.

d) Maturity analysis

	2022	2021
	$	$
· Not later than 12 months	111,172	221,535
· Between 12 months and 5 years	153,803	674,704
Total undiscounted lease payments	**264,975**	**896,239**
Unexpired interest	(12,317)	(69,570)
Present value of lease liabilities	**252,658**	**826,669**

Note 22 Provisions

a) Current liabilities

	2022	2021
	$	$
Make-good on leased premises	**49,391**	-

b) Non-current liabilities

	2022	2021
	$	$
Make-good on leased premises	**43,552**	**76,639**

In accordance with the branch lease agreements, the Company must restore the leased premises to their original condition before the expiry of the lease term. The Company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Total provision
East Ivanhoe Branch	March 2025	$48,000
Heidelberg Branch	September 2022	$49,830

Note 23 Employee benefits

a) Current liabilities

	2022	2021
	$	$
Provision for annual leave	30,246	50,932
Provision for long service leave	14,651	27,675
	44,897	**78,607**

b) Non-current liabilities

	2022	2021
	$	$
Provision for long service leave	**9,841**	**779**

c) Key judgement and assumptions

Employee attrition rates

The Company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 24 Issued capital

a) Issued capital

	2022		2021	
	Number	$	Number	$
Ordinary shares - fully paid - East Ivanhoe	473,010	473,010	473,010	473,010
Bonus shares - fully paid (3:1)	625,376	-	625,376	-
Ordinary shares - fully paid - Heidelberg	1,200,000	1,200,000	1,200,000	1,200,000
Less equity raising costs	-	(31,845)	-	(31,845)
	2,298,386	**1,641,165**	**2,298,386**	**1,641,165**

b) Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the Company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 206. As at the date of this report, the Company had 429 shareholders (2021: 435 shareholders).

These Notes form part of the Financial Statements

Note 24 Issued capital (continued)
b) Rights attached to issued capital (continued)

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the Company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 25 Reserves

The revaluation reserve relates to the revaluation of property, plant and equipment and investment properties.

a) Disaggregation of reserve balances, net of tax

	Fair value reserve	
	2022	2021
	$	$
Balance at beginning of reporting period	295,301	295,301
Balance at end of reporting period	**295,301**	**295,301**

Note 26 Retained earnings

	2022	2021
	$	$
Balance at beginning of reporting period	382,798	504,184
Net profit (loss) after tax from ordinary activities	68,597	(29,451)
Dividends provided for or paid	(45,968)	(91,935)
Balance at end of reporting period	**405,427**	**382,798**

These Notes form part of the Financial Statements

Note 27 Reconciliation of cash flows from operating activities

	2022 $	2021 $
Net profit (loss) after tax from ordinary activities	68,597	(29,451)
Adjustments for:		
· Depreciation	194,798	202,372
· Amortisation	19,253	24,170
· Lease liabilities interest	17,209	36,171
· (Profit)/loss on disposal of non-current assets	28,361	-
Changes in assets and liabilities:		
· Increase/decrease in trade and other receivables	(51,256)	23,353
· Increase/decrease in other assets	48,731	(39,056)
· Increase/decrease in trade and other payables	2,785	(22,298)
· Increase/decrease in employee benefits	(24,648)	(2,033)
· Increase/decrease in provisions	2,978	(3,349)
· Increase/decrease in tax liabilities	30,415	(18,506)
Net cash flows provided by operating activities	**337,223**	**171,373**

Note 28 Financial Instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2022 $	2021 $
Financial assets			
Cash and cash equivalents	13	253,049	198,282
Trade and other receivables	14	208,003	147,703
Term deposits	13	930,250	930,250
		1,391,302	**1,276,235**
Financial liabilities			
Trade and other payables	19	96,953	146,692
Secured bank loans	20	1,495	1,438
Lease liabilities	21	252,658	826,669
		351,106	**974,799**

Note 29 Auditor's remuneration

Amount received or due and receivable by the Auditor of the Company for the financial year.

	2022	2021
	$	$
Audit and review services		
· Audit and review of Financial Statements	6,700	6,500
Non audit services		
· Taxation advice and tax compliance services	1,325	1,300
· General advisory services	3,260	4,270
· Share registry services	3,270	3,859
· Share buy-back consultancy	-	7,942
Total Auditor's remuneration	**14,555**	**23,871**

Note 30 Related parties

a) Details of key management personnel

The Directors of the Company during the financial year were:

Nancy Louise Caple

Russell James Hutchins

Brian Thomas Simpson

John Kenneth Nelson

Jason Gerard Dwyer

Anne Marie Rogan

Jeremy Frank McAuliffe

Tara O'Brien

Peter Philip Howe

b) Director Fees

Director remuneration comprised the following:

	2022	2021
	$	$
Fees and contributions to a defined superannuation contribution plan	**36,300**	**36,135**

c) Related party transactions

Besides Director fees, no Director or related entity has entered into a material contract with the Company.

These Notes form part of the Financial Statements

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2022		30 June 2021	
	Cents	$	Cents	$
Fully franked dividend	**2.00**	**45,968**	**4.00**	**91,935**

The tax rate at which dividends have been franked is 25% (2021: 26%).

b) Franking account balance

	2022	2021
	$	$
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	366,165	360,552
Franking transactions during the financial year:		
· Franking credits (debits) arising from income taxes paid (refunded)	-	39,789
· Franking credits from the payment of income tax following lodgement of annual income tax return	(56,100)	(1,874)
· Franking debits from the payment of franked distributions	(15,323)	(32,302)
Franking account balance at the end of the financial year	**294,742**	**366,165**
Franking transactions that will arise subsequent to the financial year end:		
· Franking credits (debits) that will arise from payment (refund) of income tax	(9,685)	(56,100)
Franking credits available for future reporting periods	**285,057**	**310,065**

The ability to utilise franking credits is dependent upon the Company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 32 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2022	2021
	$	$
Profit/(loss) attributable to ordinary shareholders	**68,597**	**(29,451)**
	Number	Number
Weighted-average number of ordinary shares	**2,298,386**	**2,298,386**
	Cents	Cents
Basic and diluted earnings/(loss) per share	**2.98**	**(1.28)**

Note 33 Commitments

The Company has no commitments contracted for which would be provided for in future reporting periods.

Note 34 Contingencies

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

Note 35 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the Company's operations or the results of those operations or the Company's state of affairs.

Directors' Declaration

In accordance with a resolution of the Directors of Heidelberg District Community Enterprise Limited, we state that:

In the opinion of the Directors:

(a) the Financial Statements and Notes of the Company are 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 2022 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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

Nancy L Caple

Nancy Louise Caple

Chair

Dated this 16th day of September 2022

Independent Audit Report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Heidelberg District Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heidelberg District Community Enterprise Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Heidelberg District 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 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Revenue Share Model The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established. The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our key audit matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with AASB 15 Revenue from Contracts with Customers. ▪ Reliance on third party auditor EY to review the revenue share model.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assess the existence, accuracy and completeness of revenue. ▪ EY complete a Community Bank Revenue Share Arrangements report on factual findings bi-annually, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at note 4 a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2022 audit.

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

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. Misstatement 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.

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

- 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.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- 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 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.

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, actions taken to eliminate threats or safeguards applied.

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited's, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 16 September 2022

Joshua Griffin
Lead Auditor

NSX Report 2022

Share Information

Heidelberg District Community Enterprise Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

In accordance with NSX listing rules, the Company provides the following information, current as at 30 June 2022.

Shareholding

The following table shows the number of shareholders by category according to the total number of shares held:

Number of shares held	Number of Shareholders	Number of shares held
1 to 1,000	97	64,205
1,001 to 5,000	215	528,582
5,001 to 10,000	52	424,057
10,001 to 100,000	65	1,281,542
100,001 and over	Nil	
Total shareholders	**429**	**2,298,386**

Equity securities

- Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.
- There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote.
- There are 62 shareholders holding less than a marketable parcel of shares ($500 in value).
- There are no restricted securities on issue.
- All shares on issue are ordinary shares fully paid to $1.
- There are no unquoted equity securities.
- The total number of shareholders is 429.
- Total number of shares is 2,298,386

Ten largest shareholders

The following table shows the 10 largest shareholders:

Shareholder	Number of shares	Percentage of capital
Mr Malcolm Leeson Vawser	83,100	3.62%
Valley Maintenance Services	80,000	3.48%
Gittings Family Superannuation Fund	60,000	2.61%
Northern Suburbs Secretarial Services Pty Ltd	50,050	2.18%
Exardua Superannuation	48,707	2.12%
Tessala Pty Ltd Superannuation Fund	43,275	1.88%
Mr Abraham Khoury	32,075	1.40%
Mrs Jillian Anne Cobb	25,000	1.09%
Purser Family Trust	23,000	1.00%
Barlow Financial Services Super Fund	23,000	1.00%
Total	**468,207**	**20.38%**

Registered office and principal administrative office

The registered office of the Company, and its principal administrative office, is located at:

233-235 Lower Heidelberg Road
East Ivanhoe Victoria 3079
Telephone: (03) 9497 5133

Security Register

The security register (share register) is kept at:

AFS & Associates
61 Bull Street
Bendigo Victoria 3550
Telephone: (03) 5443 0344

Company Secretary

Russell Hutchins has been the Company Secretary of Heidelberg District Community Enterprise Limited for 10 years. Russell holds degrees in Science and Business and has not previously held the position of Company Secretary on a public company.

Directors' Right to Subscribe for Equity or Debt Securities

No Director holds any right to subscribe to equity or debt securities of the Company.

Annexure 3

There are no material differences between the information in the Company's Annexure 3 and the information in the Financial Statements in the Annual Report.

Five year comparative table of performance, assets and liabilities

	2022	2021	2020	2019	2018
Revenue	1,798,255	1,793,787	2,183,655	2,519,346	2,494,759
Net profit/(loss)	68,597	(29,451)	237,705	236,792	319,675
Total Assets	2,871,095	3,450,088	3,537,408	3,117,548	2,948,223
Total Liabilities	529,202	1,130,824	1,096,758	414,739	314,430
Total Equity	2,341,893	2,319,264	2,440,650	2,702,809	2,633,793

Explanatory notes:

1. Net profit in 2018 increased over 2017, without the benefit realised in 2017, and was due to increased revenue and continued cost management.
2. Net profit declined in 2019 from 2018 due to increased operating expenses and the Company's commitment to its grants and sponsorships program.
3. Net profit in 2020 was consistent with 2019. Although revenue was lower than 2019, the Company could reduce its 2020 grants contributions as there were already sufficient grants funds available to cover the grants program.
4. Profit declined substantially in 2021 with the Company posting a small loss – the result of reduced profit share, subdued economic conditions generally and the ongoing impacts of COVID-19.
5. The Company returned to profitability in 2022 with a modest profit, due mainly to more favourable economic conditions and improved margins.

Equal Access Share Buy-Back

On 8 September 2022, NSX was notified about an Equal Access Share Buy-Back being conducted by the Company. At the date of this Annual Report, this share buy-back has not been finalised.

Sponsorships and Grants 2021-22

Alphington Bowls Club Inc	Lower Plenty Cricket Club
Austin Health	Macleod Football Club
BANSIC	Macleod Junior Football Club
Banyule City Council	Marcellin Old Collegians Football Club
Banyule Junior Football Club	Melbourne Polytechnic
CB Collaboration - Ventillators for PNG	North Eastern Horse & Pony club
City of Heidelberg Bowling Club Inc	North Heidelberg Sporting Club
Eaglemont Tennis Club Inc	Northcote United Cricket Club
East Ivanhoe Bowling Club	Parkside Junior Football Club
Heidelberg Allstars Inc	Parkside Netball Club
Heidelberg Historical Society	Preston Cricket Club
Heidelberg Junior Football Club	Rotary Club of Heidelberg
Heidelberg West Business Park Association	SALT (Sport & Life Training)
Heidelberg West Football Club	St Bernadettes Primary School
Ivanhoe Amateur Football Club	Viewbank Tennis Club Inc
Ivanhoe Bowling Club Inc	Waterdale Theatre Inc
Ivanhoe Cricket Club	West Ivanhoe Junior Football & Netball Club
Ivanhoe East Primary School	Yarra Valley Hockey Club Inc
Ivanhoe Netball Club	YFV 3081 Project
	YFV Parkville College Project

Total $124,906

Community contributions and shareholder dividends 2021-22

Community Contributions

Financial Year	CEF *	Sponsorships	Total	Grants**
2001/04		$10,000	$10,000	
2004/05	$50,000	$12,330	$62,330	
2005/06	$120,000	$41,450	$161,450	$48,050
2006/07	$100,000	$30,400	$130,400	$70,490
2007/08	$148,000	$43,300	$191,300	$122,751
2008/09	$47,000	$46,580	$93,580	$148,142
2009/10	$75,064	$97,110	$172,174	$113,372
2010/11	$166,054	$134,067	$300,121	$116,896
2011/12	$170,000	$168,566	$338,566	$130,058
2012/13	$165,021	$171,077	$336,098	$160,756
2013/14	$165,000	$185,975	$350,975	$112,150
2014/15	$40,000	$154,145	$194,145	$119,700
2015/16	$180,000	$132,816	$312,816	$89,537
2016/17	$40,000	$128,015	$168,015	$78,067
2017/18	$205,000	$141,250	$346,250	$85,617
2018/19	$200,000	$144,495	$344,495	$129,767
2019/20	$20,000	$142,914	$162,914	$133,350
2020/21	$20,000	$98,500	$118,500	$115,296
2021/22	$20,000	$93,082	$113,082	$31,824
	$1,931,139	**$1,976,072**	**$3,907,211**	**$1,805,823**

*CEF - Funds committed to the Community Enterprise Foundation by HDCE
** Grants actually distributed by the CEF from contributions made by HDCE

Shareholder Dividends Paid

Financial Year	Cents per share	Total distribution
2004/05	5 cents	$23,651
2005/06	10 cents	$47,756
2006/07	10 cents	$47,756
2007/08	13 cents	$62,083
2008/09	13 cents	$62,083
2009/10	2 cents	$45,967
2010/11	3 cents	$68,952
2011/12	5 cents	$114,919
2012/13	6 cents	$137,903
2013/14	6 cents	$137,903
2014/15	6 cents	$137,903
2015/16	5 cents	$114,919
2016/17	5 cents	$114,919
2017/18	6 cents	$137,903
2018/19	7 cents	$160,887
2019/20	7.5 cents	$172,379
2020/21	4 cents	$91,934
2021/22	2 cents	$45,967
		$1,725,784

Corporate Governance Statement

Corporate governance encompasses the policies, rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. Heidelberg District Community Enterprise's (HDCE) Board and management are committed to both the principles of good corporate governance and its practical implementation. HDCE has responsibilities to a diverse range of stakeholders – customers, shareholders, staff, Bendigo and Adelaide Bank, the community and regulators. Balancing these responsibilities rests with the Board of Directors and is generally managed through HDCE's Committees. The Board sets high standards for itself and the Company to ensure that the Company is not only well managed, but also operates with the standard of ethics expected of a community focussed organisation.

General community expectations, as well as regulation, have resulted in an increased level of scrutiny of boards and corporate governance, especially companies providing financial services, and HDCE is no exception. The Board is responsible for ensuring that Directors, management and staff comply with the Company's ethical and operational standards and that the Company complies with its Bendigo and Adelaide Bank franchise obligations and the requirements of the Corporations Act and the Listing Rules of the National Stock Exchange.

The responsibilities of the Board include:

- Preparing the Company's strategy and objectives
- Supporting the interests of the local community
- Promoting and developing the Company's business interests
- Reviewing and approving the budgets and business plans prepared by management and Bendigo and Adelaide Bank
- Reviewing the performance of the Company against objectives, both financial and non-financial
- Liaising with and reporting to Bendigo and Adelaide Bank
- Ensuring that grants and sponsorships are appropriately managed
- Ensuring the effectiveness of the governance of the Company
- Identifying and managing risks faced by the Company
- Ensuring the adequacy of the internal controls, procedures and policies of the Company
- Reporting to shareholders and other stakeholders
- And more recently, ensuring the impacts of COVID-19 are managed and that the Company is operating within parameters set by both Government and Bendigo and Adelaide Bank.

Corporate Practice and Policies

The Company's corporate governance practices and policies have been developed by taking into account applicable requirements and recommendations in such things as:

- Corporations Act 2001 (Cth)
- National Stock Exchange Listing Rules
- Bendigo and Adelaide Bank's Franchise Agreement
- Australian Standard AS 8000 – Good Corporate Governance
- The Australian Securities Exchange (ASX) Principles and Recommendations.

The ASX publishes 8 Principles and Recommendations that apply to all entities listed on the ASX. ASX states however, that these Principles and Recommendations reflect a contemporary view of appropriate corporate governance standards, and that other bodies may find them helpful in formulating their governance rules or practices. Although not listed on the ASX, HDCE nevertheless subscribes to these ASX principles. The 8 Principles are:

1. Lay solid foundations for management and oversight: An entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

2. Structure the board to be effective and add value: The board of an entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

3. Instil a culture of acting lawfully, ethically and responsibly: An entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

4. Safeguard the integrity of corporate reports: An entity should have appropriate processes to verify the integrity of its corporate reports.

5. Make timely and balanced disclosure: An entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

6. Respect the rights of security holders: An entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

7. Recognise and manage risk: An entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

8. Remunerate fairly and responsibly: An entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite. Note: HDCE adopts this Principle in regard to management but pays its Directors only modest remuneration as high quality directors are attracted to Community Banking by factors other than remuneration.

Accordingly, the Board has a code of conduct and a set of policies and procedures to ensure that high ethical and operational standards are maintained by the Board, management and staff of the Company. The Board is also committed to providing its shareholders with appropriate information regarding any matter that may materially affect the operation of the Company or more generally considered by the Board to be in shareholders' best interests. The Company encourages its shareholders to attend and actively participate in the Annual General Meeting and any Extraordinary General Meetings.

The Board and Board Committees

The Board is ultimately responsible for ensuring integrity and serving the local Heidelberg district community, while at the same time, protecting shareholder interests and Bendigo and Adelaide Bank's reputation. At the date of this report, the Board consisted of 6 independent non-executive Directors. An independent non-executive Director is a Director that is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. Directors are required to attend all Board meetings unless prevented by other circumstances. To assist the Board in managing the business and achieve its objective of maintaining the highest standards of corporate governance, the Board delegates certain activities to Board Committees. Each of the Committees is composed of Directors and assisted by selected staff, and, in the case of the Consolidation Committee, assistance from Bendigo and Adelaide Bank.

The Committees and their major objectives are:

Audit and Governance Committee –
a) To ensure the accuracy of the Company's financial records, to monitor and mitigate risks facing the Company, and to ensure that the Company complies with both its fiduciary responsibilities and its franchise obligations; and
b) through the Property function – To deal with all matters relating to the leased branch properties and the tenanted investment properties..

Marketing and Business Development Committee - To promote the Company within the Community and maximise the effectiveness of the Company's investment into sponsorship and marketing activities, and to actively provide business development opportunities for the two branches to promote business growth; and

Human Resources Committee - To monitor and maintain all aspects of Board / staff relations, including recruitment and performance appraisal.

Consolidation Committee - A temporary Committee to oversee the closure of the Heidelberg Branch and consolidation of HDCE's operations into the East Ivanhoe Branch.

The Board meets monthly, together with management and Bendigo and Adelaide Bank's regional management, to review the performance of the business, assess its involvement in and support for community activities, review the activities of the Committees, monitor compliance with applicable legislation and other obligations, and discuss any other relevant matters. Additional meetings are convened as required to address specific matters. The Board also conducts an annual planning workshop to review the Company's strategy and objectives and put in place action plans to achieve these objectives. The Committees meet monthly, bi-monthly or as required to review their respective functions.

Appointment and removal of the management of the Company is a function of the Board as a whole. Certain powers have been delegated by the Board to Directors and management to allow the Company to carry on its business in the most efficient manner. These delegated authorities are approved by the Board and include certain financial and non-financial matters. Management provides regular information to the Board in a concise and timely manner to enable the Board to review the operations of the Company and make informed decisions and discharge its duties.

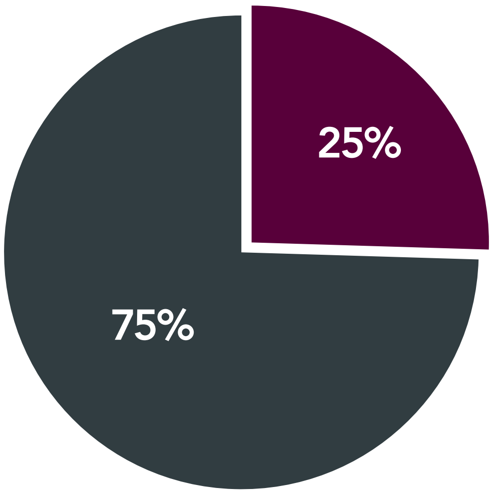
The Board reviews the Company's operations and performance with Bendigo and Adelaide Bank at a minimum monthly, or more frequently if required, to ensure the Company's operations and practices align with those of Bendigo and Adelaide Bank and the Community Bank network.

Community Investment

Heidelberg District Community Enterprise Limited

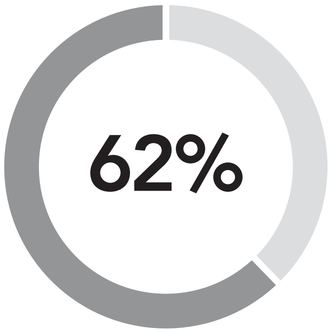
Projects Funded 43

Community Project Investment $124,906



Biggest Impact Area

Sport & Recreation

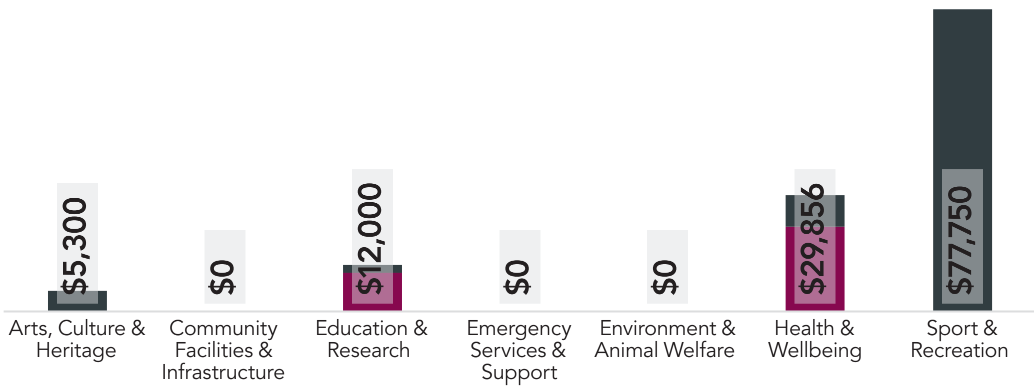


Total Investment by Theme

Grants	$31,824
Sponsorships	$93,082

Total Investment by Sector:

- Donations
- Grant
- Sponsorships



Community Bank East Ivanhoe

Bendigo Bank

Community Bank

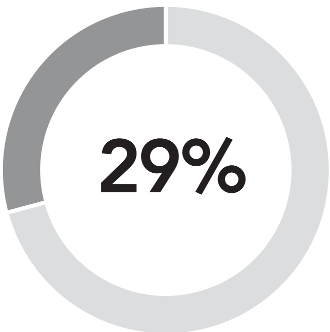
VIC Metro and VIC Regional

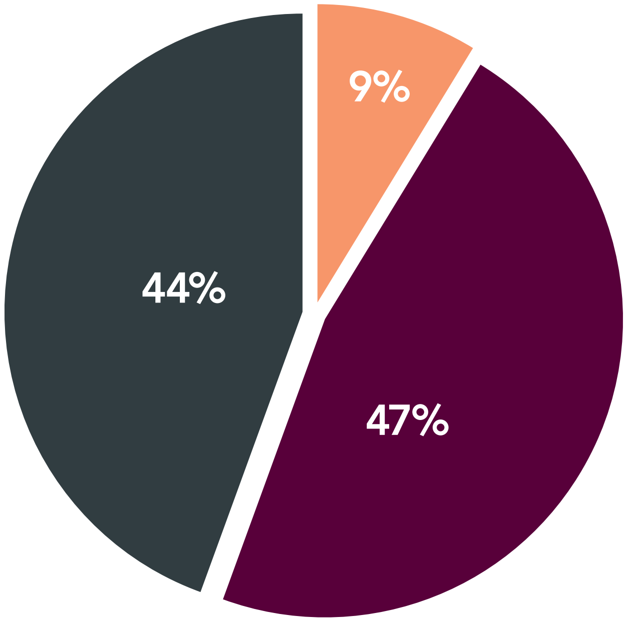
Projects Funded 2872

Community Project Investment $9,925,135

Biggest Impact Area

Sport & Recreation



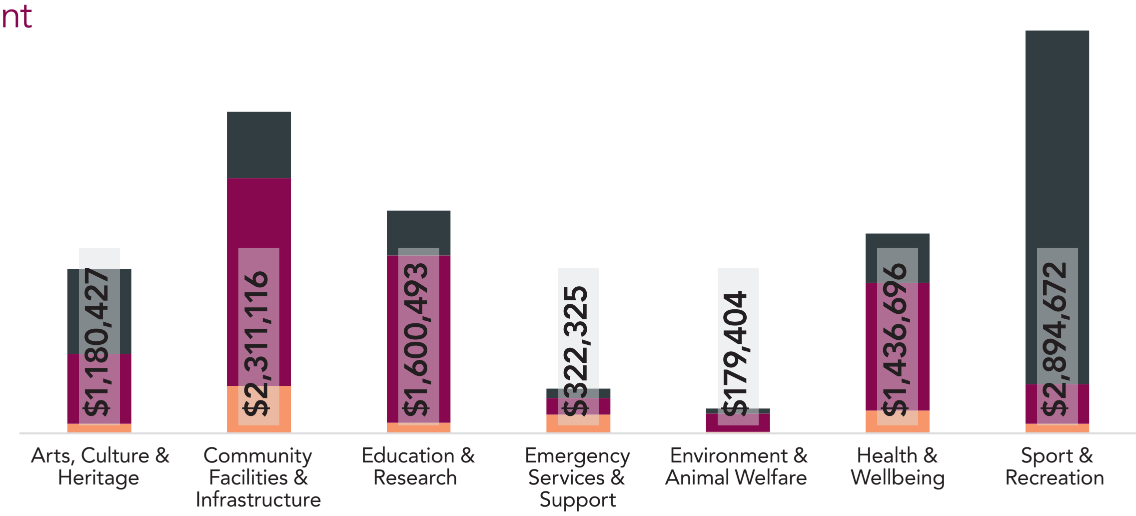


Total Investment by Theme:

Donations	$867,376
Grants	$4,647,281
Sponsorships	$4,410,477

Total Investment by Sector:

- Donations
- Grant
- Sponsorships



Community Investment National 2021-22

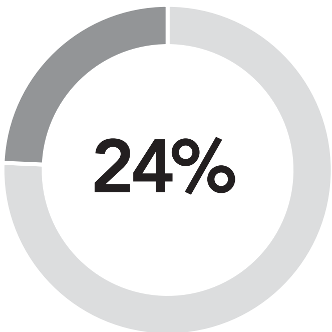
National

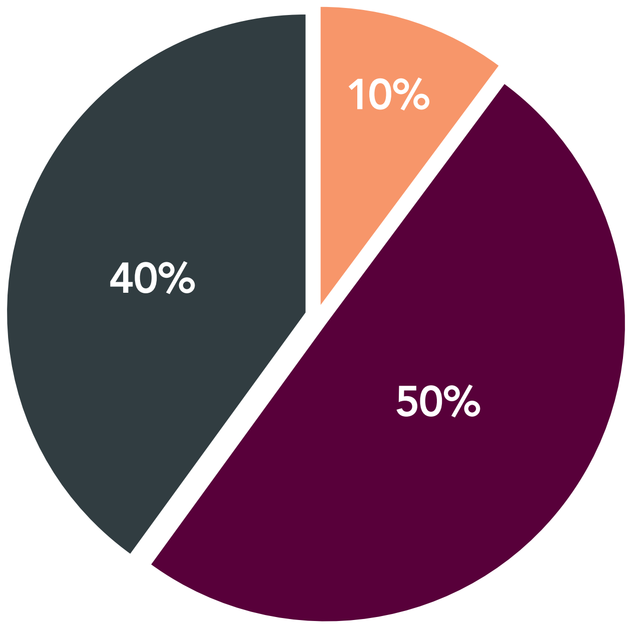
Projects Funded 5728

Community Project Investment $19,339,198

Biggest Impact Area

Sport & Recreation



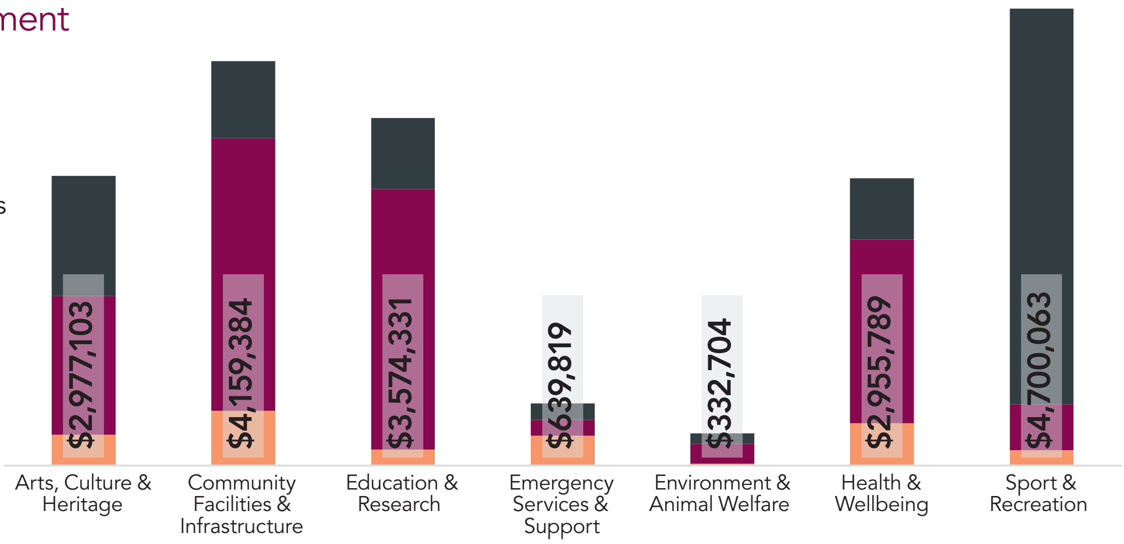


Total Investment by Theme

Donations	$1,966,815
Grants	$9,635,190
Sponsorships	$7,737,192

Total Investment by Sector:

Donations
Grant
Sponsorships



Community Bank · East Ivanhoe
233 235 Lower Heidelberg Road,
East Ivanhoe VIC 3079
Phone: 9497 5133 Fax: 9497 5233
Email: eastivanhoe@bendigoadelaide.com.au
Web: bendigobank.com.au/east_ivanhoe

Franchisee: Heidelberg District Community Enterprise Limited
ABN: 62 095 312 744
233 - 235 Lower Heidelberg Road
East Ivanhoe VIC 3079
Phone: 9497 5133 Fax: 9497 5233
Email: eastivanhoe@bendigoadelaide.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

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cb_eastivanhoeheidelberg

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Bendigo Bank

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