# Annual Report 2023

## Heidelberg District Community Enterprise Limited


Community Bank
East Ivanhoe

ABN 62 095 312 744

LOOKS DIFFERENT
FEELS DIFFERENT
IS DIFFERENT

# WELCOME
TO BENDIGO BANK
EAST IVANHOE

A BETTER PLACE TO BANK

# Contents

# HDCE Chair Report 2022-23

The last financial year has been a more stable one for Heidelberg District Community Enterprise Limited (HDCEL) and the Board of Directors as we settled into year two of our consolidation strategy.

Implementing our strategy resulted in a year of solid performance. Contributing to this has been the combined efforts of our Mobile and Branch teams, supported by a reduction in expenses, notably property. Given the challenging prior years it is affirming to note that the company posted a very strong profit of $1.22 million after tax. This is a significant turnaround from our 2022/23 profit of $68,597 after tax. This stark contrast is clear evidence of how the company performance is highly exposed to external factors beyond our control. Decisions made by the Reserve Bank of Australia directly impact our revenue stream, which we share with Bendigo and Adelaide Bank our franchise partner.

Our leadership team over the last financial year oversaw our banking business remain steady at $389 million. Syed Zaidi and James Fernandes, our Mobile Relationship Manager team was supported by Julie Bullen our long-standing experienced staff member. Her role enabled our mobile team to meet the demands of our current and new customer base in a more flexible and efficient way. During this period Adi Kedia led our branch team, supporting our customer base with a high standard of service. During 2022/23, we farewelled Jennifer Ferguson while welcoming Pinky Yadav and James Clayton. These new faces joined our existing experienced customer facing team members, Sylvia Watson, Adam Greenland and Kamna Madan. I wish to thank our staff team who have shown fortitude and resilience this last year as they have continued to face a changing landscape.

Our current sound position is testament to the focus of the Board and the staff team, who were able to deliver consistent customer service to our community. At June 2023, HDCEL had a very healthy balance sheet with net assets of $3.54 million.

Our Board is supported by Pam Tremlett, our bookkeeper who also assists in providing vital administrative support to the Board. Our community relationships are fundamental to HDCEL and are developed and supported by Carly Kluge, our experienced Community Liaison Officer. In January 2023 we contracted the services of Michelle Baker as our Company Secretary. Michelle is an experienced Company Secretary and familiar with Community Bank companies providing similar support to other companies in our network.

Your Board of Directors have stepped up over the last financial year as we worked with focus on future proofing the company. I am appreciative of their elevated and consistent commitment to their director roles and responsibilities and for the support they have shown me as Chair. During 2022/23 we farewelled long serving Board Directors John Nelson, Brian Simpson, Russell Hutchins, and Jason Dwyer. We also farewelled Peter Howe. The current Board consists of Jeremy McAuliffe, Anne Rogan, Tara O'Brien and more recently Jason Talbot who we welcomed earlier this year.

HDCEL is sound and well governed. HDCEL has a strong and respectful relationship with our partner Bendigo and Adelaide Bank. Community Bank East Ivanhoe continues to deliver a valuable customer experience supported by Bendigo and Adelaide Bank's Regional Manager Brad Peel.

Our company's mission is central to the Board's strategy.

**HDCEL's mission is to be a substantial, sustainable community-built business that contributes to community prosperity.**

We aim to

- 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 HDCEL 2022/23 investment into our community via sponsorships, grants and donations was $155,262. This brings the total HDCEL investment of $3.94 million into the Heidelberg District community. This investment results directly from customers supporting the Community Bank East Ivanhoe. During the 2022/23 period an additional $500,000 was contributed to the Community Enterprise Foundation™ for funding future grant projects.

To our HDCEL shareholders, I thank you. You have enabled the Community Bank model to deliver real impact in our community. Stand tall and be proud as you share this wonderful story that you are a part of. In our 23rd year of operation, the Board has announced a very positive and deserving dividend of 10c per share fully franked. This is our 20th successive dividend allocation.

Since the end of the 2022/23 Financial year, we have achieved the long sought after and very appropriate and well-deserved recognition of being a certified Social Enterprise. This achievement acknowledges our primary purpose is to provide a public benefit and will enable our story to be recognised more broadly. It is most timely in our 23rd year of operation and the 25th anniversary of the Community Bank model that HDCEL is the first Community Bank Company to claim our rightful place in this rapidly growing social enterprise industry sector in Australia.

This achievement by HDCEL was highlighted at the recent Community Bank National Conference in Bendigo, and pleasingly there has been strong interest shown from fellow Community Bank companies across Australia to follow our leadership and seek Social Enterprise certification. The Board looks forward to embracing the opportunities that present from being certified as a social enterprise. This Social Enterprise Certification is consistent with our achievement of B-Corp Certification in 2019, recognising our commitment to using business as a force for good.

For more information.

https://www.socialtraders.com.au/for-social-enterprise/certification/

**Nancy Louise Caple**

Chair

# Making an impact in our local community

Heidelberg District Community Enterprise continued its support of a diverse range of clubs, sporting groups, charitable organisations and social enterprises through the grant and sponsorship programs in 2022/23.
Pictured below is a snapshot of some project highlights.


The branch has had a mini makeover and team members Adam and Julie were pleased to showcase the "Welcome to East Ivanhoe" artwork.


The Jeff Wall Classic is a charity golf day raising funds for The Heart Foundation in honour of the late Jeff Wall. Community Bank East Ivanhoe is thrilled to continue to support this tremendous initiative run by several of our local shareholders.

BANSIC celebrated 50 years of service in 2022 and as a long term supporter we were thrilled to join them for a delicious afternoon tea provided by the CWA to celebrate.


The team also support Banyule Support and Information Service (BANSIC) through a food drive – thank you to our many customers, staff and Board members for their donations of pantry goods to support the BANSIC Food Hub. Team members James and Kamna join customer Tom to deliver the goods!

Big Group Hug provide material relief for young families doing it tough. Community Bank East Ivanhoe has supported the group since they started on their journey, and this has continued with funding to cover the rental shortfall in their new premises in Thomastown. CEO Bernadene Voss accepted the cheque from HDCE Chair Nan Caple.

The Parkside Junior Football Club is one of many local junior sports clubs that are proudly supported by the Community Bank East Ivanhoe. These players celebrated their 50th game in style with a win!

It's open – cutting the ribbon for the Big Group Hug Warehouse !!


Each Christmas the Branch supports a charity through a toy drive and in 2022 the donated gifts were given to Big Group Hug. Team members Kerryn and Kamna showcase the donated gifts.

Lucy Arthur, facilitator of the Youth Foundation 3081 program hosted a fabulous celebration event – showcasing many of the youth-led projects including the hip-hop program that engaged with local primary school kids in dance!

Community Bank East Ivanhoe's Carly was joined by the Federal Minister for Immigration Andrew Giles MP and CEO Bernadene Voss to officially open the Big Group Hug new warehouse in Thomastown.

East Ivanhoe Primary School Principal Tom Boyle was happy to pose with Piggy and James at the 2022 EIPS Fair - another event which the Community Bank East Ivanhoe has long supported.


The Northcote United Cricket Club go from strength to strength with a well-supported Junior Blast program run by their volunteer members.

The support of local football clubs continued in 2022/23 including the Banyule Junior Football Club. This is part of the "Connected Communities" commitment from HDCE.

# Community Engagement

The Community Bank East Ivanhoe is a major sponsor of the Heidelberg West Business Park, supporting networking events throughout the year.

After a three-year hiatus it was fabulous to join the Lower Plenty Dance Group for their Dinner Dance. The dance floor was packed from start to finish!

Community Bank East Ivanhoe Branch Manager Adi and MRM James were presented with a plaque of appreciation from Greg Scholes from the Diamond Valley SuperRules Football Club.


Community Bank East Ivanhoe is a long-term sponsor of Fairfield Primary School's Art 4 All – giving local artists the opportunity to sell their artwork whilst elevating the importance of art in the school setting and raising funds for the school at the same time.

HDCE Director Jeremy McAuliffe joined Kamna, James and Piggy to celebrate the return of the East Ivanhoe Primary School Fair.

The Macleod Football Club has been a great partner of the Community Bank East Ivanhoe for many years and this season was no exception.

A grant provided to Exodus Community in West Heidelberg ensured that local community members were trained in First Aid and Food handling.

MRM James joined Piggy for a hit of tennis at the Eaglemont Tennis Club, a tremendous local community club.


Big Group Hug founder Angela was on hand to take receipt of the many donations provided by customers for the annual toy drive.


With many families in need, our support of BANSIC has never been more important. In 2023 the Community Bank East Ivanhoe provided a cheque for $49,500 to support their volunteer operation and cover the costs of their Food Hub operations – the service currently provides meals to over 350 families each month.


In 2023, Heidelberg District Community Enterprise became the first Community Bank company to received Social Enterprise certification. This is an amazing achievement that will hopefully encourage many others to follow suit so that Community Bank companies can be officially recognised for their unique business model that contributes millions of dollars back to the community.

Banyule City Council hosted the annual Women in Business Lunch with fashion designer Lisa Gorman. Community Bank East Ivanhoe has sponsored this important event year on year since its inception!

# Bendigo and Adelaide Bank Report

Year ending 30th June 2023

Community Bank Report 2023
BEN Message
August 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future - growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than $32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Warmest regards,

**Justine Minne**
**Bendigo and Adelaide Bank**

# CNBC Report

Year ending 30th June 2023

As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than $300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

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.

The Community Bank network creates impact though grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

Sarah Franklyn
**CBNC Chair**

# Reflect Reconciliation Action Plan

As a way to commemorate the launch of the Bendigo and Adelaide Bank's inaugural Reflect Reconciliation Action Plan 2023, they engaged with Yorta Yorta and Dja Dja Wurrung artist and educator, Troy Firebrace, to create a piece of art that symbolised the importance of and the start of the Bank's journey towards reconciliation.

This Reconciliation Action Plan will support the Bank in understanding, exploring and measuring, where and how we can have the most meaningful impact, and lay firm foundations for Reconciliation across the Group in the years to come.

Learn more about the Reconciliation Action Plan and learn more about the artwork here

*Artist: Troy Firebrace*
*Country: Yorta Yorta and Dja Dja Wurrung*
*Year Created: 2023*

THE ARTIST

Troy Firebrace is a proud Yorta Yorta and Dja Dja Wurrung artist and educator. Born in Shepparton, Troy was always drawn to art and painting at school, but an absence of Aboriginal history and education in his schooling lead him on a path to becoming an educator too. Troy has a Bachelor in Creative Arts, Major in Fine Arts and a Masters of Teaching Secondary. He has exhibited at Kaiela Arts Shepparton, Dudley House Bendigo and Melbourne Museum. Troy lives in Bendigo with his family.

## Official artist statement

The artwork focuses on three elements of Bendigo and Adelaide Bank. Community, Impact and Journey.

As an Aboriginal person, it's my interpretation of the Bank's ambitions and commitments, and feeling the truth in their words, which has let me step forward with trust in my creation.

**Community** is the connection the Bank is forming by learning about community and country. Ensuring the Bank's choices align with the beliefs, ambitions and respect of the community in which the Bank embeds itself. An authentic connection.

**Impact** is the result of the good, honest work the Bank strives for. The importance of relationships and quality service not only creates an open dialogue with the community, but also has a positive impact on the sustainability of the places they serve. The commitment of honest change for better impact.

**Journey** is the path of collective learning as a whole community. There is no one side benefiting from the other. The direction of the pathway is open to the whole community and that leads to prosperity. The truest form of partnership.

The Bank's ambitions are not solely of profit or just talk of finance. They are the model in which real communities are formed; where a simple "hello" becomes "how are you?" A question of investment in someone's life, free from creed, race or status. A question grounded in country.

# Directors' Report

Year ending 30th June 2023

**The Directors present their report, together with the Financial Statements, on the company for the year ended 30 June 2023.**

## Directors

The following persons were Directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

### Nancy Louise Caple

Chair and non-executive director

| | |
|---|---|
| Experience and expertise | 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. |
| Special Responsibilities | Committee member: Marketing and Business Development (Chair), Human Resources |

### Anne Marie Rogan

Non-executive director

| | |
|---|---|
| Experience and expertise | Anne is the manager of Examinations and selection at the Royal Australian and New Zealand College of Obstetrics and Gynaecology (RANZCOG). Education Services Australia, managing large national education projects across government, independent and catholic schools and states. Prior to this, Anne worked as a lecturer at the University of Melbourne for 18 years. Anne lives locally. |
| Special Responsibilities | Committee member: Human Resources, Audit and Governance |

### Jeremy McAuliffe

Non-executive director

| | |
|---|---|
| Experience and expertise | 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. |
| Special Responsibilities | Committee member: Human Resources (Chair), Marketing and Business Development |

Directors (continued)

### Tara O'Brien

Non-executive director

| | |
|---|---|
| Experience and expertise | Tara was previously involved in the Bendigo Bank Future Director program for two years. She holds a Bachelor of Laws (Honours) and Bachelor of Commerce (Accounting) from La Trobe University. She has experience working in the not-for-profit and state and federal public sectors. |
| Special Responsibilities | Committee member: Audit and Governance (Chair), Marketing and Business Development |

### Jason Talbot

Non-executive director (appointed 30 November 2022)

| | |
|---|---|
| Experience and expertise | Jason is the Managing Director of Graphite i2i, a consultancy firm specialising in strategy, governance and finance. Prior to founding Graphite i2i, Jason held senior roles at PwC, EY and NAB in their corporate finance divisions and worked in both Australia and the UK. His non-executive and advisory board portfolio includes private business, public companies and a variety of not-for-profit organisations both in Australia and the UK. He is also a lecturer at Macquarie University and facilitator for the Governance Institute of Australia (GIA). Jason is a fellow of the GIA and a member of the Institute of Chartered Accountants Australia. He holds a Masters of Applied Finance from Macquarie University and a Graduate Diploma in Accounting, a Doctor of Philosophy and a Bachelor of Science from Monash University. He is also a Director on the Board of Kew East Financial Services Ltd. |
| Special Responsibilities | Committee member: Audit and Governance |

### Russell James Hutchins

Non-executive director (resigned 11 January 2023)

| | |
|---|---|
| Experience and expertise | 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. |
| Special Responsibilities | Committee member: Audit and Governance (Chair), Human Resources |

### John Kenneth Nelson

Non-executive director (resigned 22 November 2022)

| | |
|---|---|
| Experience and expertise | 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. |
| Special Responsibilities | Committee member: Audit and Governance, Special Responsibility: Property |

Directors (continued)

### Peter Philip Howe

Non-executive director (resigned 23 August 2022)

| | |
|---|---|
| Experience and expertise | 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 University of Melbourne and RMIT. |
| Special Responsibilities | Committee member: Audit and Governance |

### Jason Gerard Dwyer

Non-executive director (resigned 7 July 2022)

| | |
|---|---|
| Experience and expertise | Jason 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 South Eastern 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. |
| Special Responsibilities | Committee member: Audit and Governance |

## Company secretary

There have been two company secretaries holding the position during the financial year:

### Russell James Hutchins

was appointed company secretary on 13 November 2012 and ceased on 11 January 2023

### Michelle Louise Baker

was appointed on 11 January 2023.

| | |
|---|---|
| Experience and expertise | Michelle is an experienced Bookkeeper and holds a Bachelor of Arts and an Advanced Diploma of Business (Marketing). |

## 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 this activity during the financial year.

## Review of operations

The profit for the company after providing for income tax amounted to $1,219,801 (30 June 2022: $68,597).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

## Dividends

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

| | 2023<br>$ |
|---|---|
| Fully franked dividend of 4 cents per share (2022: 2 cents) | 90,527 |

## Significant changes in the state of affairs

The company delisted from the National Stock Exchange (NSX) on 30 June 2023 and now operates a special market called a Low Volume Market (LVM) to facilitate the trading of its shares.

There were no other significant changes in the state of affairs of the company during the financial year.

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

## 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 under Australian Commonwealth or State law.

## Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

| E - eligible to attend<br>**A** - number attended | Board Meetings Attended | | Committee Meetings Attended | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Audit and Governance | | Human Resources | | Marketing and Business Development | |
| | E | **A** | E | **A** | E | **A** | E | **A** |
| Nancy Louise Caple | 10 | **10** | - | **-** | 10 | **8** | 11 | **10** |
| Anne Marie Rogan | 10 | **8** | 3 | **3** | 10 | **9** | - | **-** |
| Jeremy McAuliffe | 10 | **9** | - | **-** | 10 | **10** | 11 | **9** |
| Tara O'Brien | 10 | **8** | 8 | **8** | - | **-** | 11 | **9** |
| Jason Talbot | 5 | **4** | 3 | **2** | - | **-** | - | **-** |
| Russell James Hutchins | 5 | **3** | 5 | **5** | 5 | **3** | - | **-** |
| John Kenneth Nelson | 4 | **3** | 5 | **5** | - | **-** | - | **-** |
| Peter Philip Howe | 1 | **-** | 1 | **1** | - | **-** | - | **-** |
| Jason Gerard Dwyer | - | **-** | - | **-** | - | **-** | - | **-** |

## 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 except as disclosed in note 28 to the Financial Statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Directors' interests

The interest in company shareholdings for each Director are:

| | Fully paid ordinary shares | | |
|---|---|---|---|
| | Balance at start of the year | Changes during the year | Balance at the end of the year |
| Nancy Louise Caple | 27,077 | - | 27,077 |
| Anne Marie Rogan | - | - | - |
| Jeremy McAuliffe | 3,450 | - | 3,450 |
| Tara O'Brien | - | - | - |
| Jason Talbot | - | - | - |
| Russell James Hutchins | 13,000 | - | 13,000 |
| John Kenneth Nelson | 1,533 | - | 1,533 |
| Peter Philip Howe | - | - | - |
| Jason Gerard Dwyer | 5,000 | - | 5,000 |

## Indemnity and insurance of Directors and officers

The company has indemnified all Directors, officers and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors, officers or management 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.

## 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*.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## 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 30 to the accounts.

The Board has considered the non-audit services provided during the year by the auditor and 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
- the non-audit services provided do not 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 immediately after this Directors' Report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Nancy Louise Caple

Chair

4 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Heidelberg District Community Enterprise Limited

As lead auditor for the audit of Heidelberg District Community Enterprise Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 4 September 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

## Heidelberg District Community Enterprise Limited
# Statement of Profit or Loss and Other Comprehensive Income
### for the year ended 30 June 2023

| | Notes | 2023 $ | 2022 $ |
|---|---|---|---|
| REVENUE | | | |
| Revenue from contracts with customers | 6 | 3,593,493 | 1,798,255 |
| Other revenue | 7 | 68,367 | 76,194 |
| Finance revenue | | 38,903 | 3,625 |
| **Total revenue** | | **3,700,763** | **1,878,074** |
| EXPENSES | | | |
| Employee benefits expense | 8 | (771,561) | (882,555) |
| Advertising and marketing costs | | (158,548) | (136,129) |
| Occupancy and associated costs | | (43,167) | (115,375) |
| Systems costs | | (41,183) | (78,439) |
| Depreciation and amortisation expense | 8 | (91,726) | (214,051) |
| Finance costs | 8 | (9,259) | (20,188) |
| General administration expenses | | (195,397) | (200,751) |
| Other expenses | 8 | (113,227) | (28,361) |
| **Total expenses before community contribution and income tax expense** | | **(1,424,068)** | **(1,675,849)** |
| **Profit before community contributions and income tax expense** | | **2,276,695** | **202,225** |
| Charitable donations, grants and sponsorship expense | 8 | (650,027) | (110,582) |
| **Profit before income tax expense** | | **1,626,668** | **91,643** |
| Income tax expense | 9 | (406,867) | (23,046) |
| **Profit after income tax expense for the year** | 23 | **1,219,801** | **68,597** |
| Other comprehensive income | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of land and buildings, net of tax | | 91,844 | - |
| Other comprehensive income for the year, net of tax | | 91,844 | - |
| **Total comprehensive income for the year** | | **1,311,645** | **68,597** |
| | | **Cents** | **Cents** |
| Basic earnings per share | 32 | 53.68 | 2.98 |
| Diluted earnings per share | 32 | 53.68 | 2.98 |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes

**Heidelberg District Community Enterprise Limited**

## Statement of Financial Position

**for the year ended 30 June 2023**

| | Notes | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 2,467,894 | 1,183,299 |
| Trade and other receivables | 11 | 354,794 | 208,003 |
| Current tax assets | 9 | - | 9,685 |
| **Total current assets** | | **2,822,688** | **1,400,987** |
| Non-current assets | | | |
| Investment properties | 14 | 1,379,593 | 1,275,748 |
| Property, plant and equipment | 12 | 54,421 | 59,401 |
| Right-of-use assets | 13 | 70,429 | 110,698 |
| Intangible assets | 15 | 13,275 | 24,261 |
| **Total non-current assets** | | **1,517,718** | **1,470,108** |
| **Total assets** | | **4,340,406** | **2,871,095** |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 79,087 | 82,693 |
| Borrowings | 17 | - | 1,495 |
| Lease liabilities | 18 | 86,397 | 103,993 |
| Current tax liabilities | 9 | 376,845 | - |
| Employee benefits | 19 | 53,322 | 44,897 |
| Lease make good provision | 20 | - | 49,391 |
| **Total current liabilities** | | **595,651** | **282,469** |
| Non-current liabilities | | | |
| Trade and other payables | 16 | - | 14,260 |
| Lease liabilities | 18 | 68,829 | 148,665 |
| Deferred tax liabilities | 9 | 91,052 | 30,415 |
| Employee benefits | 19 | 3,525 | 9,841 |
| Lease make good provision | 20 | 45,119 | 43,552 |
| **Total non-current liabilities** | | **208,525** | **246,733** |
| **Total liabilities** | | **804,176** | **529,202** |
| **Net assets** | | **3,536,230** | **2,341,893** |
| EQUITY | | | |
| Issued capital | 21 | 1,614,384 | 1,641,165 |
| Revaluation reserve | 22 | 387,145 | 295,301 |
| Retained earnings | 23 | 1,534,701 | 405,427 |
| **Total equity** | | **3,536,230** | **2,341,893** |

The above Statement of Financial Position should be read in conjunction with the accompanying Notes

Heidelberg District Community Enterprise Limited

## Statement of Changes in Equity

### for the year ended 30 June 2023

| | Notes | Issued capital $ | Revaluation reserve $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2021** | | **1,641,165** | **295,301** | **382,798** | **2,319,264** |
| Profit after income tax expense | | - | - | 68,597 | 68,597 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | - | 68,597 | 68,597 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends provided for | 25 | - | - | (45,968) | (45,968) |
| **Balance at 30 June 2022** | | **1,641,165** | **295,301** | **405,427** | **2,341,893** |
| **Balance at 1 July 2022** | | **1,641,165** | **295,301** | **405,427** | **2,341,893** |
| Profit after income tax expense | | - | - | 1,219,801 | 1,219,801 |
| Other comprehensive income, net of tax | | - | 91,844 | - | 91,844 |
| Total comprehensive income for the year | | - | 91,844 | 1,219,801 | 1,311,645 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Buy back of shares during period | 21 | (26,781) | - | - | (26,781) |
| Dividends provided for or paid | 25 | - | - | (90,527) | (90,527) |
| | | (26,781) | - | (90,527) | (117,308) |
| **Balance at 30 June 2023** | | **1,614,384** | **387,145** | **1,534,701** | **3,536,230** |

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes

**Heidelberg District Community Enterprise Limited**

## Statement of Cash Flows

### for the year ended 30 June 2023

| | Notes | 2023 $ | 2022 $ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 3,902,522 | 2,005,327 |
| Payments to suppliers and employees (inclusive of GST) | | (2,386,096) | (1,728,667) |
| Interest received | | 18,375 | 4,521 |
| Interest and other finance costs paid | | (75) | (58) |
| Income taxes refunded | | 9,684 | 56,100 |
| **Net cash from operating activities** | 31 | **1,544,410** | **337,223** |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 12 | (16,876) | (964) |
| Payments for intangible assets | | (12,963) | (18,969) |
| **Net cash used in investing activities** | | **(29,839)** | **(19,933)** |
| **Cash flows from financing activities** | | | |
| Return of capital | 21 | (26,781) | - |
| Repayment of borrowings | | (1,495) | - |
| Dividends paid | 25 | (90,527) | (45,968) |
| Repayment of lease liabilities | 18 | (111,173) | (216,555) |
| **Net cash used in financing activities** | | **(229,976)** | **(262,523)** |
| Net increase in cash and cash equivalents | | 1,284,595 | 54,767 |
| Cash and cash equivalents at the beginning of the financial year | | 1,183,299 | 1,128,532 |
| **Cash and cash equivalents at the end of the financial year** | 10 | **2,467,894** | **1,183,299** |

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes

**for the year ended 30 June 2023**

## Note 1. Reporting entity

The financial statements cover Heidelberg District Community Enterprise Limited (the company) as an individual entity.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 233-235 Lower Heidelberg Road, Ivanhoe East VIC 3079.

A description of the nature of the company's operations and its principal activity is included in the Directors' Report, which is not part of the Financial Statements.

## 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 and are presented in Australian dollars, which is the company's functional and presentation currency.

The Financial Statements were authorised for issue, in accordance with a resolution of Directors, on 4 September 2023. The Directors have the power to amend and reissue the Financial Statements.

## Note 3. Changes in accounting policies, standards and interpretations

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

### 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 2022, 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.

### Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**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 2023.

*Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets 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 any impairment loss.

If the recoverable amount of an asset 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.

**Goods and Services Tax (GST)**

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.

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.

## Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective Notes) within the next financial year are discussed below.

*Fair value measurement hierarchy*

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- 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: unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

*Impairment of non-financial assets*

The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

*Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

*Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the Statement of Financial Position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

## Note 5. Economic dependency

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 in September 2024.

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 Bendigo Bank 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.

## Note 6. Revenue from contracts with customers

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Margin income | 3,423,942 | 1,616,797 |
| Fee income | 81,987 | 96,848 |
| Commission income | 87,564 | 84,610 |
| | **3,593,493** | **1,798,255** |

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 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 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 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 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 which are 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, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

*Margin income*

Margin on core banking products 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 Bendigo Bank 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 income*

Commission income 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.

*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.

## Note 7. Other revenue

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Net gain on disposal of property, plant and equipment | - | 364 |
| Market development fund | - | 8,750 |
| Rental income | 64,859 | 62,201 |
| Other income | 3,508 | 4,879 |
| | **68.367** | **76,194** |

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.

Note 7 Other revenue (continued)

| Revenue stream | Revenue recognition policy |
|---|---|
| Rental income | Rental income from owned investment properties, 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. |
| 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 GST.

## Note 8. Expenses

### Employee benefits expense

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Wages and salaries | 643,264 | 725,905 |
| Non-cash benefits | 4,704 | 8,535 |
| Superannuation contributions | 72,683 | 76,203 |
| Expenses related to long service leave | (5,562) | (2,157) |
| Other expenses | 56,472 | 74,069 |
| | **771,561** | **882,555** |

### Depreciation and amortisation expense

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Depreciation of non-current assets | | |
| Investment properties | 18,614 | 18,563 |
| Leasehold improvements | 13,816 | 82,806 |
| Plant and equipment | 2,569 | 13,525 |
| Motor vehicles | 5,472 | 7,990 |
| | **40,471** | **122,884** |
| Depreciation of right-of-use assets | | |
| Leased land and buildings | **40,269** | **71,914** |
| Amortisation of intangible assets | | |
| Franchise fee | 2,197 | 3,655 |
| Franchise renewal fee | 8,789 | 15,598 |
| | **10,986** | **19,253** |
| | **91,726** | **214,051** |

Note 8 Expenses (continued)

### Other Expenses

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Disposal of property, plant and equipment | - | 28,361 |
| Procedural errors | 113,227 | - |
| | **113,227** | **28,361** |

Bendigo Bank recouped funds from the company during the period due to a procedural error.

### Finance Costs

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Bank loan interest paid or accrued | 75 | 57 |
| Lease interest expense | 7,178 | 17,209 |
| Unwinding of make-good provision | 2,006 | 2,922 |
| | **9,259** | **20,188** |

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

### Leases recognition exemption

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Expenses relating to low-value leases | **18,424** | **40,334** |

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 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

### Charitable donations, grants and sponsorship expense

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Direct donation, sponsorship and grant costs | 175,027 | 109,582 |
| Contribution to the Community Enterprise Foundation™ | 475,000 | - |
| | **650,027** | **109,582** |

The funds contributed to and held by the Community Enterprise Foundation™ (CEF) are available for distribution as grants to eligible applicants for a specific purpose in consultation with the Directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the Directors are involved in the payment of grants, the funds are not refundable to the company.

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

## Note 9. Income tax

| | 2023 $ | 2022 $ |
|---|---|---|
| Income tax expense | | |
| Current tax | 376,845 | 5,691 |
| Movement in deferred tax | 60,637 | 32,731 |
| Future income tax benefit attributable to losses | (30,615) | (15,376) |
| **Aggregate income tax expense** | **406,867** | **23,046** |
| Prima facie income tax reconciliation | | |
| Profit before income tax expense | 1,626,668 | 91,643 |
| Tax at the statutory tax rate of 25% | 406,667 | 22,911 |
| Tax effect of: | | |
| Non-deductible expenses | 200 | 135 |
| **Income tax expense** | **406,867** | **23,046** |

| | 2023 $ | 2022 $ |
|---|---|---|
| Deferred tax liabilities | | |
| Property, plant and equipment | 133,682 | 103,723 |
| Income accruals | 5,311 | 179 |
| Right-of-use assets | 17,607 | 27,675 |
| Lease liabilities | (38,807) | (63,165) |
| Employee benefits | (14,212) | (13,685) |
| Provision for lease make good | (11,280) | (23,236) |
| Accrued expenses | (1,249) | (1,076) |
| **Deferred tax liability** | **91,052** | **30,415** |

| | 2023 $ | 2022 $ |
|---|---|---|
| Income tax refund due | - | **9,685** |

| | 2023 $ | 2022 $ |
|---|---|---|
| Provision for income tax | **376,845** | - |

*Accounting policy for income tax*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

*Accounting policy for current 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.

*Accounting policy for 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.

## Note 10. Cash and cash equivalents

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 687,894 | 253,049 |
| Term deposits | 1,800,000 | 930,250 |
| | **2,467,894** | **1,183,299** |

*Accounting policy for 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.

## Note 11. Trade and other receivables

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Trade receivables | 317,805 | 194,523 |
| Other receivables and accruals | 3,667 | 8,498 |
| Accrued income | 21,243 | 716 |
| Prepayments | 12,079 | 4,266 |
| | **36,989** | **13,480** |
| | **354,794** | **208,003** |

*Accounting policy for trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 12. Property, plant and equipment

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Leasehold improvements - at cost | 234,797 | 506,537 |
| Less: Accumulated depreciation | (192,839) | (456,865) |
| | **41,958** | **49,672** |
| Plant and equipment - at cost | 57,618 | 118,562 |
| Less: Accumulated depreciation | (45,155) | (114,305) |
| | **12,463** | **4,257** |
| Motor vehicles - at cost | 39,950 | 39,950 |
| Less: Accumulated depreciation | (39,950) | (34,478) |
| | **-** | **5,472** |
| | **54,421** | **59,401** |

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Leasehold improvements | Plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2021** | **160,839** | **16,818** | **13,462** | **191,119** |
| Additions | - | 964 | - | 964 |
| Disposals | (28,361) | - | - | (28,361) |
| Depreciation | (82,806) | (13,525) | (7,990) | (104,321) |
| **Balance at 30 June 2022** | **49,672** | **4,257** | **5,472** | **59,401** |
| **Balance at 1 July 2022** | **49,672** | **4,257** | **5,472** | **59,401** |
| Additions | 6,102 | 10,775 | - | 16,877 |
| Depreciation | (13,816) | (2,569) | (5,472) | (21,857) |
| **Balance at 30 June 2023** | **41,958** | **12,463** | **-** | **54,421** |

*Accounting policy for 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.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 3 to 12 years |
| Plant and equipment | 5 to 12 years |
| Land and buildings | 40 years |
| Motor vehicles | 5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

*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.

## Note 13. Right-of-use assets

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Land and buildings - right of use | 1,110,879 | 2,167,350 |
| Less: Accumulated depreciation | (1,040,450) | (2,056,652) |
| | **70,429** | **110,698** |

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Land and buildings |
|---|---|
| | $ |
| **Balance at 1 July 2021** | **543,894** |
| Remeasurement adjustments | (361,282) |
| Depreciation expense | (71,914) |
| **Balance at 30 June 2022** | **110,698** |
| **Balance at 1 July 2022** | **110,698** |
| Depreciation expense | (40,269) |
| **Balance at 30 June 2023** | **70,429** |

*Accounting policy for right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to Note 18 for more information on lease arrangements.

## Note 14. Investment properties

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Investment property - at fair value | 1,380,000 | 1,350,000 |
| Less: Accumulated depreciation | (407) | (74,252) |
| | **1,379,593** | **1,275,748** |

*Reconciliation*

Reconciliation of the beginning and end of the current and previous financial year are set out below:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Opening amount | 1,275,748 | 1,294,311 |
| Revaluation increments | 122,459 | - |
| Depreciation expense | (18,614) | (18,563) |
| | **1,379,593** | **1,275,748** |

*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 223-225 Lower Heidelberg investment property was independently valued effective 24 May 2023 by Miles Real Estate. The valuations resulted in an net increment to the carrying amount of the property resulting in a revaluation gain of $91,844 in the revaluation reserves in the Statement of Changes in Equity.

Refer to Note 27 for further information on fair value measurement.

*Accounting policy for investment properties*

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised in Other Comprehensive Income, specifically in the Revaluation Reserve within equity.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

## Note 15. Intangible assets

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Franchise fee | 66,648 | 66,648 |
| Less: Accumulated depreciation | (63,993) | (61,796) |
| | **2,655** | **4,852** |
| Franchise renewal fee | 203,428 | 203,428 |
| Less: Accumulated depreciation | (192,808) | (184,019) |
| | **10,620** | **19,409** |
| | **13,275** | **24,261** |

Note 15 Intangible assets (continued)

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

| | Franchise fee | Franchise renewal fee | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2021** | **14,100** | **62,969** | **77,069** |
| Disposals | (5,593) | (27,962) | (33,555) |
| Amortisation expense | (3,655) | (15,598) | (19,253) |
| **Balance at 30 June 2022** | **4,852** | **19,409** | **24,261** |
| **Balance at 1 July 2022** | **4,852** | **19,409** | **24,261** |
| Amortisation expense | (2,197) | (8,789) | (10,986) |
| **Balance at 30 June 2023** | **2,655** | **10,620** | **13,275** |

*Accounting policy for 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 | Expiry/renewal date |
|---|---|---|---|
| Franchise fee | Straight-line | Over the franchise term (5 years) | September 2024 |
| Franchise renewal fee | Straight-line | Over the franchise term (5 years) | September 2024 |

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

*Change 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 16. Trade and other payables

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Current liabilities | | |
| Trade payables | 18,966 | 7,310 |
| Other payables and accruals | 60,121 | 75,383 |
| | **79,087** | **82,693** |
| Non-current liabilities | | |
| Other payables and accruals | - | **14,260** |

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

## Note 17. Borrowings

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Current liabilities | | |
| **Bank loans** | - | **1,495** |

*Bank loans*

Bank loans are repayable monthly. Interest is recognised at rate of 7.35% (2022: 4.60%). The loans are secured by a fixed and floating charge over the company's assets.

*Accounting policy for borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## Note 18. Lease liabilities

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Current liabilities | | |
| Land and buildings lease liabilities | 90,516 | 111,172 |
| Unexpired interest | (4,119) | (7,179) |
| | **86,397** | **103,993** |
| Non-current liabilities | | |
| Land and buildings lease liabilities | 69,849 | 153,803 |
| Unexpired interest | (1,020) | (5,138) |
| | **68,829** | **148,665** |

Note 18 Lease liabilities (continued)

*Reconciliation of lease liabilities*

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Opening balance | 252,658 | 826,669 |
| Remeasurement adjustments | 6,563 | (374,665) |
| Lease interest expense | 7,178 | 17,209 |
| Lease payments - total cash outflow | (111,173) | (216,555) |
| | **155,226** | **252,658** |

*Maturity analysis*

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Not later than 12 months | 90,516 | 111,172 |
| Between 12 months and 5 years | 69,849 | 153,803 |
| | **160,365** | **264,975** |

*Accounting policy for 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.

Lease payments included in the measurement of the lease liability comprise fixed lease payments that depend on a 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 not to separate lease and non-lease components when calculating the lease liability.

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 lease liability is remeasured when there is a change in future lease payments arising from a change in 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 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 nil.

The company's lease portfolio includes:

| Lease | Discount rate | Non-cancellable term | Renewal options available | Reasonably certain to exercise options | Lease term end date used in calculations |
|---|---|---|---|---|---|
| East Ivanhoe | 3.54% | 2 years | N/A | N/A | March 2025 |

These Notes form part of the Financial Statements

## Note 19. Employee benefits

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Current liabilities | | |
| Annual leave | 38,308 | 30,246 |
| Long service leave | 15,014 | 14,651 |
| | **53,322** | **44,897** |
| Non-current liabilities | | |
| Long service leave | **3,525** | **9,841** |

*Accounting policy for 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 salaries and wages 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.

*Superannuation contributions*

Contributions to superannuation plans are expensed in the period in which they are incurred.

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*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.

## Note 20. Lease make good provision

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Current provisions | | |
| **Lease make good** | **-** | **49,391** |
| Non-current liabilities | | |
| **Lease make good** | **45,119** | **43,552** |

*Lease make good*

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision of $48,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as the cost to remedy any damages caused during the removal process. The lease is due to expire on March 2025 at which time it is expected the face-value costs to restore the premises will fall due.

*Accounting policy for provisions*

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. The provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 21. Issued capital

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| | Shares | Shares | $ | $ |
| Ordinary shares - fully paid - East Ivanhoe | 473,010 | 473,010 | 473,010 | 473,010 |
| Ordinary shares - fully paid - Heidelberg | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Bonus shares - fully paid (3:1) | 625,376 | 625,376 | - | - |
| Less: Cost of share buy back | (37,720) | - | (26,781) | - |
| Less: Equity raising costs | - | - | (31,845) | (31,845) |
| | **2,260,666** | **2,298,386** | **1,614,384** | **1,641,165** |

During the financial year, the company completed a share buy back, where the company bought back and canceled 37,720 ordinary shares at $0.71 each following the offer made to the company's shareholders.

*Accounting policy for issued capital*

Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

These Notes form part of the Financial Statements

**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 398 shareholders (2022: 429 shareholders).

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 their associates) has a prohibited shareholding interest in 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.

Note 21 Issued Capital (continued)
Accounting policy for issued capital (continued)
Prohibited shareholding interest (continued)

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 22. Revaluation reserve

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Revaluation surplus reserve** | **387,145** | **295,301** |

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

| | Revaluation Reserve |
|---|---|
| | $ |
| **Balance at 1 July 2021** | **295,301** |
| **Balance at 30 June 2022** | **295,301** |
| **Balance at 1 July 2022** | **295,301** |
| Revaluation of property plant and equipment | 91,844 |
| **Balance at 30 June 2023** | **387,145** |

## Note 23. Retained Earnings

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Retained earnings at the beginning of the financial year | 405,427 | 382,798 |
| Profit after income tax expense for the year | 1,219,801 | 68,597 |
| Dividends paid (Note 25) | (90,527) | (45,968) |
| **Retained earnings at the end of the financial year** | **1,534,701** | **405,427** |

## Note 24. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board monitors 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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 financial year 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 25. Dividends

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

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Fully franked dividend of 4 cents per share (2022: 2 cents)** | **90,527** | **45,968** |

## Franking credits

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Franking account balance at the beginning of the financial year | 297,742 | 366,165 |
| Franking credits (debits) arising from income taxes paid (refunded) | (9,685) | (56,100) |
| Franking debits from the payment of franked distributions | (30,176) | (15,323) |
| | **254,881** | **294,742** |
| Franking transactions that will arise subsequent to the financial year end: | | |
| Balance at the end of the financial year | 254,881 | 294,742 |
| Franking credits (debits) that will arise from payment (refund) of income tax | 376,845 | (9,685) |
| **Franking credits available for future reporting periods** | **631,726** | **285,057** |

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%.

*Accounting policy for dividends*

Dividends are recognised in the financial year they are declared.

## Note 26. Financial instruments

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Financial assets | | |
| Trade and other receivables | 342,715 | 203,737 |
| Cash and cash equivalents | 2,467,894 | 253,049 |
| Term Deposits | 1,800,000 | 930,250 |
| | **4,610,609** | **1,387,036** |
| Financial liabilities | | |
| Trade and other payables | 79,087 | 96,953 |
| Lease liabilities | 155,226 | 252,658 |
| Bank loans | - | 1,495 |
| | **234,313** | **351,106** |

*Accounting policy for 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 debtors and creditors, cash and cash equivalents and lease liabilities.

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.

*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.

*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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are 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 $2,467,894 at 30 June 2023 (2022: $1,183,299).

Note 26. Financial instruments (continued)

*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.

*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, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

*Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the Statement of Financial Position.

| | 1 year or less | Between 1 and 5 years | Over 5 years | Remaining contractual maturities |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| 2023 | | | | |
| Trade and other payables | 79,087 | - | - | 79,087 |
| Lease liabilities | 90,516 | 69,849 | - | 160,365 |
| **Total non-derivatives** | **169,603** | **69,849** | **-** | **239,452** |
| 2022 | | | | |
| Bank loans | 1,495 | - | - | 1,495 |
| Trade and other payables | 82,693 | 14,260 | - | 96,953 |
| Lease liabilities | 111,172 | 153,803 | - | 264,975 |
| **Total non-derivatives** | **195,360** | **168,063** | **-** | **363,423** |

## Note 27. Fair value measurement

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| 2023 | | | | |
| Assets | | | | |
| Investment properties | - | 1,380,000 | - | 1,380,000 |
| **Total assets** | **-** | **1,380,000** | **-** | **1,380,000** |
| 2022 | | | | |
| Assets | | | | |
| Investment properties | - | 1,350,000 | - | 1,350,000 |
| **Total assets** | **-** | **1,350,000** | **-** | **1,350,000** |

There were no transfers between levels during the financial year.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 24 May 2023 by Miles Real Estate based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The Directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

*Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Note 28. Key management personnel disclosures

The following persons were directors of Heidelberg District Community Enterprise Limited during the financial year and/or up to the date of signing of these Financial Statements.

Nancy Louise Caple
Anne Marie Rogan
Jeremy McAuliffe
Tara O'Brien
Jason Talbot
Russell James Hutchins
John Kenneth Nelson
Peter Philip Howe
Jason Gerard Dwyer

Key management personnel compensation comprised the following.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 20,500 | 33,000 |
| Post-employment benefits | 2,152 | 3,300 |
| | **22,652** | **36,300** |

Compensation of the company's key management personnel includes salaries and contributions to a defined superannuation fund.

These Notes form part of the Financial Statements

## Note 29. Related party transactions

There were no transactions with related parties during the current and previous financial year.

## Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Audit services | | |
| Audit or review of the financial statements | 6,535 | 6,700 |
| Other services | | |
| Taxation advice and tax compliance services | 1,913 | 1,325 |
| General advisory services | 13,674 | 3,260 |
| Share registry services | 5,738 | 3,270 |
| | 21,325 | 7,855 |
| | **27,860** | **14,555** |

## Note 31. Reconciliation of profit after income tax to net cash from operating activities

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Profit after income tax expense for the year | 1,219,801 | 68,597 |
| Adjustment for: | | |
| Depreciation and amortisation | 91,726 | 214,051 |
| Net loss on disposal of non-current assets | - | 28,361 |
| Lease liabilities interest | 7,178 | 17,209 |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (146,791) | (51,256) |
| Decrease in income tax refund due | 9,685 | - |
| Decrease in other operating assets | - | 48,731 |
| Increase in trade and other payables | 1,660 | 2,785 |
| Increase in provision for income tax | 376,845 | - |
| Increase in deferred tax liabilities | 30,021 | 30,415 |
| Increase/(decrease) in employee benefits | 2,109 | (24,648) |
| Increase/(decrease) in other provisions | (47,824) | 2,978 |
| **Net cash from operating activities** | **1,544,410** | **337,223** |

## Note 32. Earnings per share

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Profit after income tax** | **1,219,801** | **68,597** |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 2,272,344 | 2,298,386 |
| **Weighted average number of ordinary shares used in calculating diluted earnings per share** | **2,272,344** | **2,298,386** |
| | Cents | Cents |
| Basic earnings per share | 53.68 | 2.98 |
| Diluted earnings per share | 53.68 | 2.98 |

*Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Heidelberg District Community Enterprise Limited by the weighted average number of ordinary shares outstanding during the financial year.

## 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.

## Note 35. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

# Directors' Declaration

Heidelberg District Community Enterprise Limited
30th June 2023

In the Directors' opinion:

- the attached Financial Statements and Notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached Financial Statements and Notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the Notes to the Financial Statements;
- the attached Financial Statements and Notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

**Nancy Louise Caple**

Chair

Dated this 4th day of September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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 (the company), which comprises:

- Statement of financial position as at 30 June 2023
- 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 2023 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
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

## Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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. We have nothing to report in this regard.

## 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.

The directors are responsible for overseeing the company's financial reporting process.

## 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.

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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.

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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 4 September 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

# Sponsorships and Grants 2022-23

| | |
|---|---|
| Alphington Bowls Club Inc | Ivanhoe East Primary School |
| Austin Health | Jeff Wall Golf Classic |
| Banyule City Council | Lower Plenty Cricket Club |
| Banyule City Soccer Club | Macleod Football and Netball Club |
| Banyule Junior Football Club | Macleod Junior Football Club |
| City of Heidelberg Bowling Club Inc | Marcellin Old Collegians Football Club |
| Diamond Valley Superules Football Club | Melbourne Polytechnic |
| Eaglemont Tennis Club Inc | Mother Tongue Poetry |
| East Ivanhoe Bowling Club | North Heidelberg Sporting Club |
| Exodus Foundation | Northcote United Cricket Club |
| Fairfield Primary School | Parkside Junior Football Club |
| Friends of Eaglemont Village | Parkside Netball Club |
| Friends of Wilson Reserve Inc | Preston Cricket Club |
| Heidelberg Football Club Inc | Rosanna Bowling Club |
| Heidelberg Junior Football Club | Rotary Club of Heidelberg |
| Heidelberg Orchestras Inc | Sahyog Entertainment Pty Ltd |
| Heidelberg Pre-School Association Ltd | St John's Catholic Tennis Club |
| Heidelberg West Business Park Association | Waterdale Theatre Inc |
| Heidelberg West Football Club | West Ivanhoe Junior Football & Netball Club |
| Ivanhoe Amateur Football Club | Yarra Valley Hockey Club Inc |
| Ivanhoe Bowling Club Inc | YFV 3081 Project |
| Ivanhoe Cricket Club | YFV Parkville College Project |

**Total $155,262**

# Community contributions and shareholder dividends 2022-23

## 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 |
| 2022/23 | $500,000 | $128,804 | $628,804 | $26,458 |
| | **$2,431,139** | **$2,104,876** | **$4,536,015** | **$1,832,281** |

*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 |
| 2022/23 | 4 cents | $90,527 |
| | | **$1,816,311** |

# Corporate Governance Statement

## Heidelberg District Community Enterprise Limited

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 Limited'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 prior to delisting on June 30 2023.

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 (prior to delisting on June 30 2023)
- 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 employees 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.

## Establishment of a Low Volume Market

At the 2022 HDCE Annual General Meeting, shareholders resolved for HDCE to delist from the NSX and apply to ASIC to operate a Low Volume Market in relation to trading of shares in HDCE. The Company's application was successful and HDCE ceased trading on the NSX on June 30 2023 and currently operates a Low Volume Market for trading of shares.

The Board ensures the Low Volume Market trading process is well managed and governed and has completed considerable training by all Directors to understand and administer the Low Volume Market if required. Specific policy and procedures have been established to support strong governance in the management of the Low Volume Market.

## 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 5 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.

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 property 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 East Ivanhoe branch to promote business growth; and

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

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

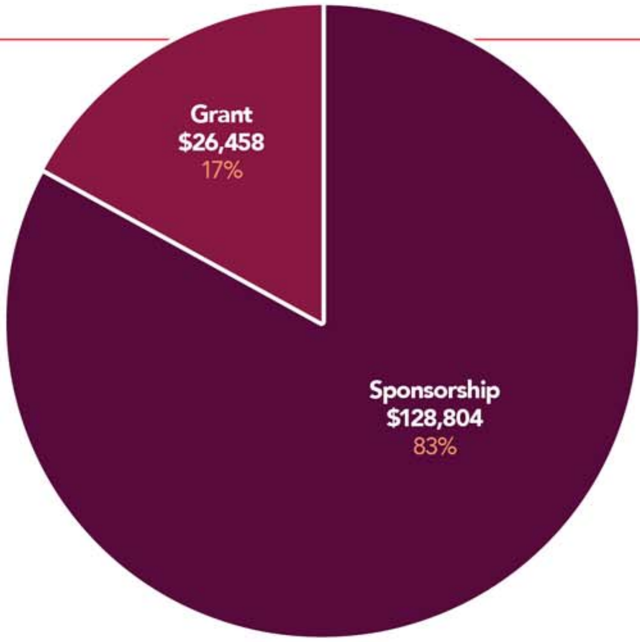
# Local Community Contributions 2022-23

Heidelberg District Community Enterprise Limited

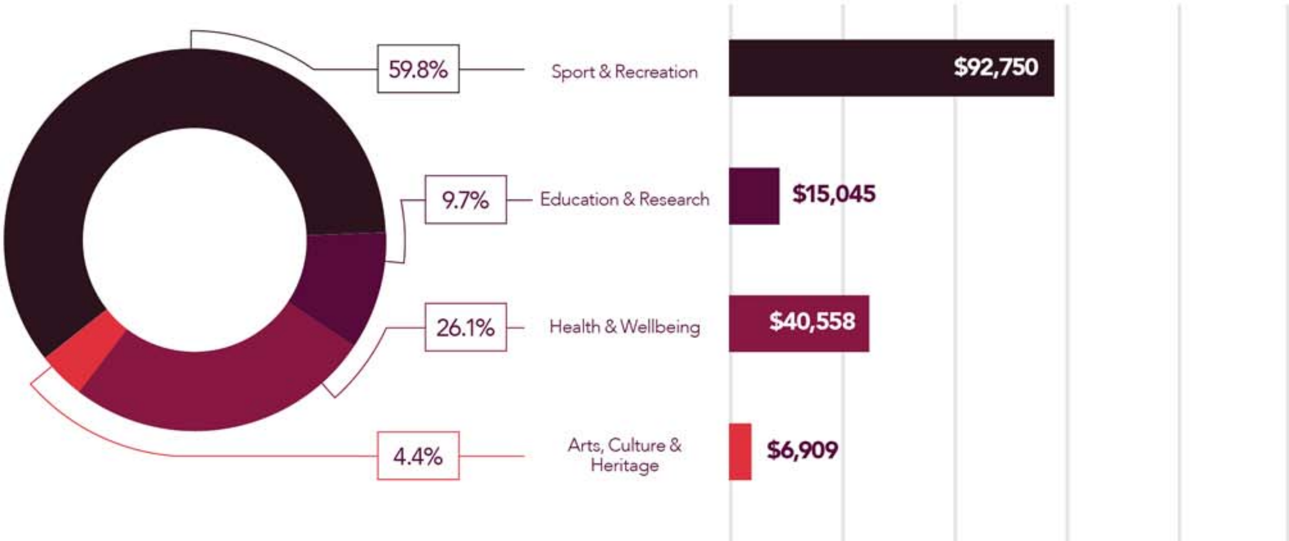
**48**
**Projects Funded**

**$155,262**
**Total Value**

## Total Investments by Kind




## Total Investments by Sector




Bendigo Bank

Community Bank

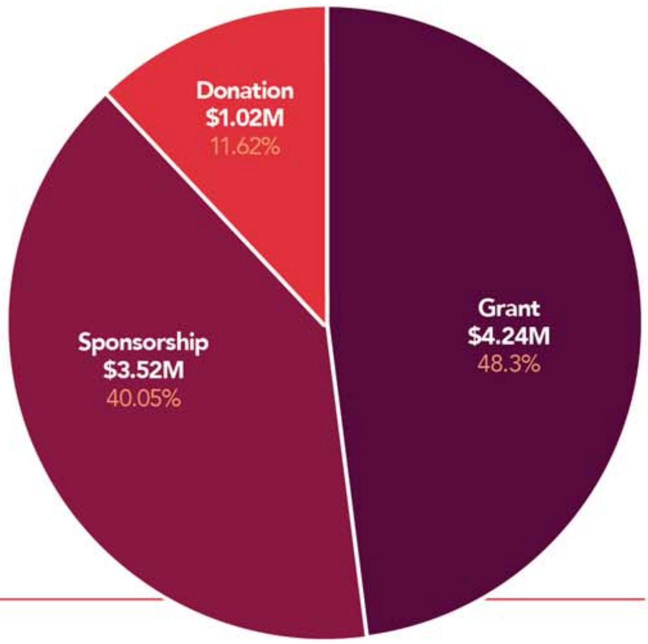
# VIC Metro Community Contributions 2022-23

**1421** Projects Funded

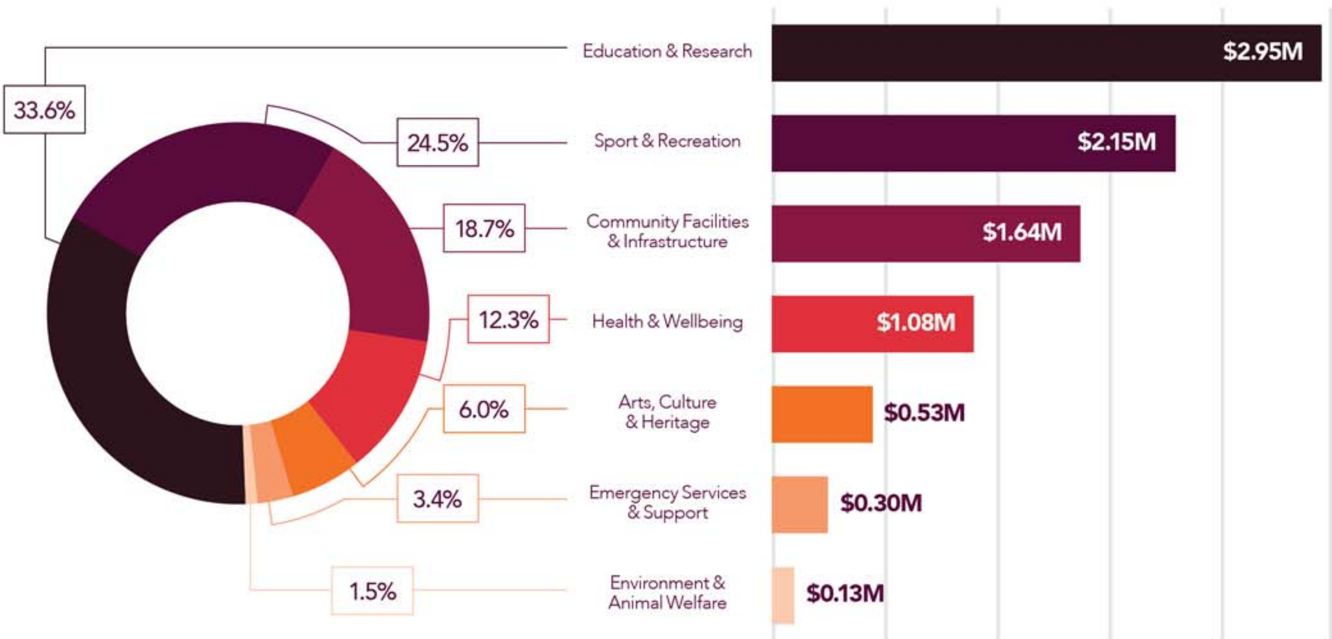
**$8,780,060** Total Value

## National Contribution


## Total Investments by Kind




## Total Investments by Sector




Bendigo Bank Community Bank

# National Community Contributions 2022-23

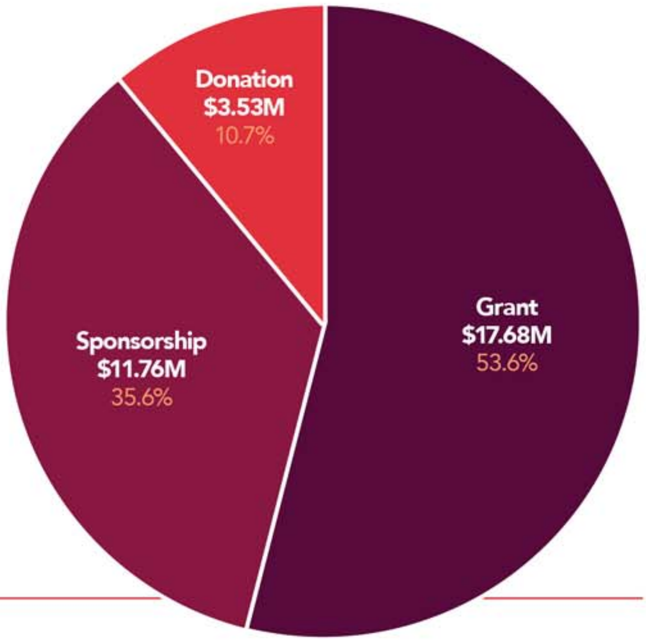
**6215**
**Projects Funded**

**$32,971,439**
**Total Value**

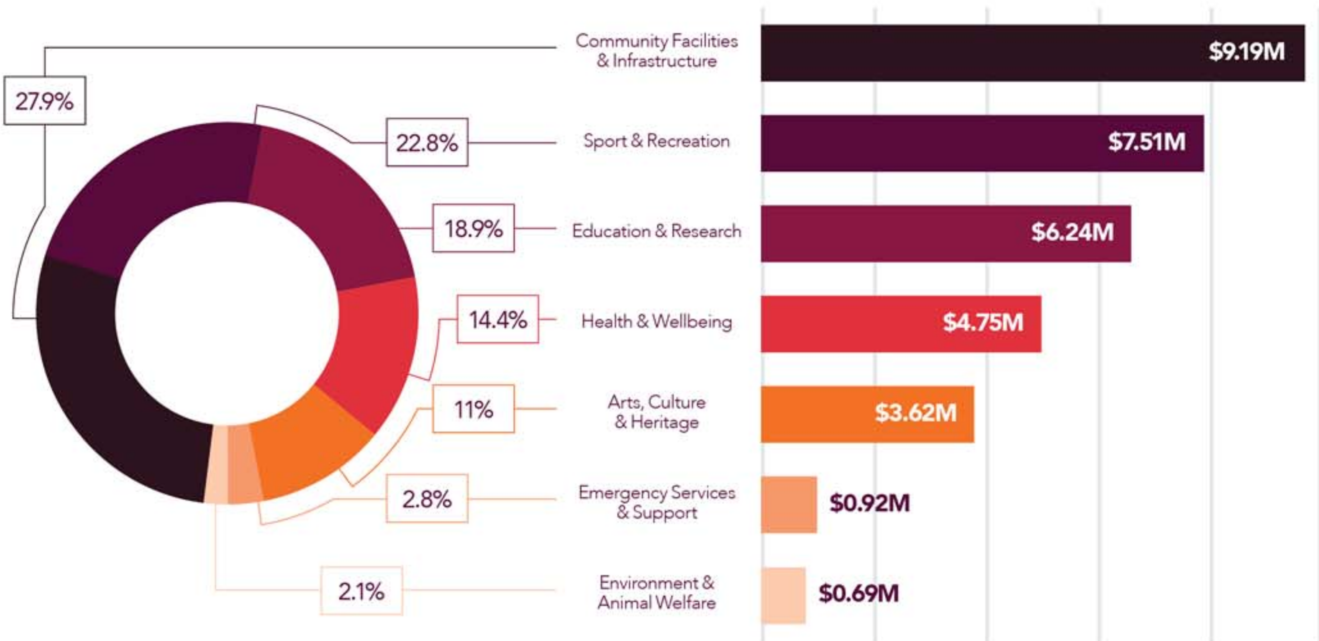
## Total Investments by Region

| Region | $ Sum Value |
|---|---|
| VIC Regional | 9,609,483 |
| VIC Metro | 8,780,060 |
| QLD | 5,126,854 |
| NSW/ACT | 3,989,587 |
| WA | 2,923,770 |
| SA | 1,435,407 |
| TAS | 1,029,415 |
| NT | 76,860 |
| **Total** | **32,971,439** |

## Total Investments by Kind




## Total Investments by Sector




Bendigo Bank    Community Bank

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EastIvanhoeHeidelbergCommunityBankBranches

cb_eastivanhoeheidelberg

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Bendigo Bank