



Annual Report 2014

Healesville & District
Community Enterprise Limited

ABN: 64 143 284 182

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Chairman's Report

The economic landscape remains a persistent challenge of a low growth environment and strong competition, initially for retail deposits then latterly for loans. Our community has been slow to understand and embrace the **Community Bank®** model, where the more they support us, the more we can support our community.

The support of our customers has been good but less so from our wider community and disappointingly our shareholders. This has been reflected in slow asset growth across a range of portfolios.

Healesville & District Community Enterprise Limited, as a consequence of the low growth environment, is reporting a full financial year loss for 2013/14. In addition the Board, with the support of Bendigo and Adelaide Bank, was required to extend the terms of our existing overdraft.

Whilst we recognise that the delivery of another financial year loss is concerning, we are satisfied that it reflects our disciplined approach to expense management and continued growth by our hard work on the Business Strategy. To further focus on business growth outcomes, we have reviewed and refined that strategy for 2014/15.

As our new Branch Manager settled into the role and the Bendigo and Adelaide Bank process and procedures, we saw an increase in business growth particularly in the second half of the year.

Over the past year, we have maintained a strong reign on expenses whilst trying to improve growth and we have a highly engaged staff. Together these factors place us in a sound position to benefit from market opportunities that may be presented as well as any improvement in market sentiment and the general operating environment.

During the year we worked to capitalise on the many opportunities before us.
More specifically:

- ▶ ▶ The "Save Healesville Hospital Campaign" began with widespread community support. A Business Case study was required by government to assist determination of the Hospital's future. To ensure the Save Healesville Hospital Campaign fundraising for the business case gained momentum we provided financial assistance. We continue to assist through provision of advice and linkages to our **Community Bank®** partners in the Yarra Valley.

- ▶ ▶ Our **Community Bank®** network, which welcomed its 305th branch in June, has returned more than \$125 million to support community initiatives, with more than \$23 million invested this financial year. Healesville **Community Bank®** Branch has been a part of that investment with over 30 local groups, clubs and schools supported.

- ▶ ▶ The Board developed and implemented a campaign to take advantage of the announced closure of ANZ Healesville Branch and gain market share from disaffected customers. The campaign focused on raising awareness in the community that Healesville **Community Bank®** was here to stay. Direct mailouts to residents of 3777, targeted flyers to business's, marquee profile and presence at local markets, street events outside our **Community Bank®**, street walks targeting local retailers were key elements of the campaign. Enquiries, referrals and new accounts started to increase by the end of June and are expected to significantly grow our business in the early months of the new financial year.

▶ ▶ The Bendigo and Adelaide Bank launch of a new retail bank campaign, **Bigger than a bank** launched nationally in May 2014 with a partnership of the highly successful season of Masterchef Australia on the Channel Ten television network before expanding to other media in June 2014.

The campaign aims to increase consumers' consideration of us by expounding our banking credentials while showcasing the many ways in which our actions are **bigger** than those normally associated with banks. This is at the forefront of our marketing and promotion activities.

▶ ▶ Our Marquee or our Directors were at a range of community events such as the Yarra Valley Open Studios, Yarra Valley and Mountain Districts Football and Netball League, Coranderrk Festival, Healesville Autumn Festival, Healesville Music Festival, Healesville Chamber of Commerce Christmas Festival, Healesville Historical Society - Andrew McKenzie Collection. Each event generates referrals to assist in growing the business.

Bendigo and Adelaide Bank continues to be rated at "A-" from all three ratings agencies. It has been awarded Business Bank of the Year three years in a row and is the leading financial institution for customer loyalty in 2013. It has been named Australia's most recommended bank by its customers, according to Roy Morgan research.

Within the Healesville **Community Bank®** Branch our staff are better trained, more skilled and more than ever, engaged. Our investment in our people is substantial and we're committed to supporting each of them with opportunities to improve their skills and knowledge. Their commitment is the reason why customer advocacy and satisfaction of our **Community Bank®** branch is high and they are our greatest asset.

There's no doubt the current economic environment continues to challenge us. To address these challenges, our **Community Bank®** branch needs to ensure we are best positioned to meet our customers' evolving needs.

Our aim is to make it easier for customers to do business with us, our commitment to supporting long-term outcomes for our customers and our community, and our partnership with Bendigo and Adelaide Bank and its ability to innovate, underlines the unique nature of our business.

The Board and staff look forward to continuing to leverage our unique strengths to take advantage of the significant opportunities that exist for our business and making a continued positive contribution to our customers and community in which we operate. I thank them all for their continuing hard work in this regard.

On behalf of the Healesville **Community Bank®** company Board, thank you for your continued support, and we look forward to a successful 2015.

Yours sincerely,
Gary Slater

Manager's Report 2013/14

It has been 18 months since I started at the Healesville **Community Bank®** Branch as Branch Manager. It has been a rewarding challenge and one I continue to enjoy as we grow the business. Whilst we did not make a profit for 2013/2014 our income per month has been steadily increasing with our expenses remaining close to budget and our overall business grew.

There was low growth for the year overall however, the good news is that our lending increased by \$1.1 million and the deposits increased by \$2.4million. The transactions per month have recently increased from 1,298 for June 2013 to 1,584 for June 2014, with an increase of 187 customers. Further growth is on the horizon with us working hard to make the most of the opportunities presented by the closure of one of the major banks in early July.

Our staff, Cheryl McGeorge, Jayne Matthews, Nicole Manuell and Amanda Augello have worked well as a team to maintain our excellent customer service levels whilst increasing the customer base. This has again been recognised with achievement awards from the Bendigo and Adelaide Bank.

As in previous years we have continued to promote Healesville **Community Bank®** Branch attending the Healesville Market, Healesville Autumnfest, The Mountain District Car Show, The Healesville Christmas Festival, The Coranderrk Festival, the Corporate Bowls competition and attending local schools.

We have supported many community groups through sponsorships and grants and will continue to do more as our business grows.

The Healesville community has many projects they would like to have in place and the only way the **Community Bank®** branch can assist, is if the people in the Healesville community support us with all their banking needs.

The **Community Bank®** model is unique. The more people bank with us the more we can support the community. This has been proven with the success of our surrounding **Community Bank®** branches of Warburton, Yarra Junction, Woori Yallock and Wandin Seville. Together we have poured over \$10 million back to helping our communities flourish.

To the shareholders who are customers at Healesville **Community Bank®** Branch, thank you for support. To the shareholders who are not, please call into the branch to meet with myself and the great staff so that we can discuss how your banking with Healesville **Community Bank®** Branch benefits you and your local community.

I would like to thank the Board for their support throughout the year, and the branch staff for working together strongly as a team. Also a thank you to the support staff of the Bendigo and Adelaide Bank for being available whenever needed.

We can continue to grow and be a successful **Community Bank®** branch with the support of the Healesville and District Community.

Let us all make a difference in our community.

Wilma Gibson
Branch Manager

Healesville & District Community Enterprise Limited

Financial Statements

30 June 2014

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Gary James Slater
Chairman

Occupation: General Manager

Qualifications, experience and expertise: Manager of Healesville RSL, Owner operator of own business, Yarra Ranges economic recovery committee, Chairman Healesville Chamber of Commerce, Manager at Zoo's Victoria, Union Official MWU, Chairman Tenkile Conservation Alliance, President Australasian Society of Zookeeping, Director LBG Group. Gary holds an Assoc. Dip. Applied Science.

Special responsibilities: Chairman, member Finance Committee and member Investment Committee.

Interest in shares: 16,000

Sandra Alma Schoffer
Director

Occupation: Retired

Qualifications, experience and expertise: Currently a committee member of the Healesville RSL, Former committee member of the Relay For Life – Cancer Council. Advanced Certificate of Accounting. Employed as a payroll officer and accounts clerk.

Special responsibilities: Nil

Interest in shares: 50,001

Robert James Gannaway
Secretary

Occupation: Graphic Designer

Qualifications, experience and expertise: Past CFA volunteer firefighter, past vickick coordinator, Cert.2 in Information Technology (Computer Applications). 25 years in sales both wholesale and retail. Past Secretary Healesville RSL, Communications Officer RSL, member of Badger Creek Old School Building Committee of Management.

Special responsibilities: Secretary, Website Administrator.

Interest in shares: 1,001

Kathleen Therese Gannaway
Director

Occupation: Journalist

Qualifications, experience and expertise: Journalist with Mail Newspaper Group. Resident of Healesville since 1983. Previously active volunteer with Gateway Festival, Relay For Life, Badger Creek CFA and former Secretary of Badger Creek Old School Building Committee of Management.

Special responsibilities: Chair Community Investment and Marketing Committee.

Interest in shares: 1,001

Kathleen Ann Holton
Director

Occupation: Program Manager

Qualifications, experience and expertise: Chairperson of Township Group – Community 3777. Certificate III in Aged Care. Diploma of Teaching and a Graduate Diploma in Student Welfare.

Special responsibilities: Community Investment

Interest in shares: 6,101

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Directors' report

Directors (continued)

David Frederick Purcell
Director

Occupation: Public Accountant

Qualifications, experience and expertise: David is a public accountant. He holds a Bachelor of Commerce (Melbourne University)

Special responsibilities: Finance Committee.

Interest in shares: Nil

Nikola Sanders
Treasurer

Occupation: Registered BAS Agent/Bookkeeper

Qualifications, experience and expertise: Nikola is a director of Your Office Wizards Pty Ltd, registered BAS Agent, full member of ICB, certified consultant MYOB, partner with Xero and accredited partner with Reckon. She has a Diploma of Accounting and Cert IV in Business Management. In the past she ran a small Strawberry Farm, was Treasurer for Yarra Ranges Children's Choir, Woori Yallock Cricket Club and Healesville Spinners and Weavers.

Special responsibilities: Finance Committee, Treasurer

Interest in shares: Nil

Jesse Daniel Graham
Director

Occupation: Journalist

Qualifications, experience and expertise: Journalism, photography, media relations, writing, professional writing and multimedia.

Special responsibilities: Nil

Interest in shares: Nil

Bruce Leonard Argyle
Director

Occupation: Business/Not For Profit

Qualifications, experience and expertise: Bruce has been CEO/Director of various community/Not-for-profit groups over the past 25 years, member of Australian Charities Not-for-profit Commission (ACNC) Reference Group, Chair Community Sector Banking Social Investment Grants Program, Director Uniting Age Well, actively involved in Chamber of Commerce, Toastmasters, Uniting Church and Healesville Hospital. Bruce is also a director of family business (hospitality and vineyard). He holds a Masters (Dispute Resolution), B.Sc (Hons), DipEd, Assoc. Dip Business, AIM. Bruce is also Director and Board Chair of Interact Australia and Director and Deputy Chair of Kinglake Ranges Foundation.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Robert James Gannaway. Robert commenced his role as company secretary in 2012. Robert is a Graphic Designer with 25 years in retail and wholesale sales, and holds a Certificate 2 in Information Technology. He has also volunteered at various organisations in the past.

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Directors' report

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 Jun 14	Year ended 30 Jun 13
\$	\$
(218,088)	(406,674)

Remuneration report

Directors' remuneration

No Director of the company receives remuneration for services as a company director or Committee member.

Transactions with directors

Gary Slater provided relief cleaning to the company. He received

\$
180

Directors' shareholdings

Gary James Slater
Sandra Alma Schoffer
Robert James Gannaway
Kathleen Therese Gannaway
Kathleen Ann Holton
David Frederick Purcell
Nikola Sanders
Jesse Daniel Graham
Bruce Leonard Argyle

Balance at start of the year	Changes during the year	Balance at end of the year
16,000	-	16,000
50,001	-	50,001
1,001	-	1,001
1,001	-	1,001
6,101	-	6,101
-	-	-
-	-	-
-	-	-
-	-	-

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Directors' report

Events since the end of the financial year

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

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings	
	<u>Eligible</u>	<u>Attended</u>
Gary James Slater	11	10
Sandra Alma Schoffer	11	7
Robert James Gannaway	11	10
Kathleen Therese Gannaway	11	11
Kathleen Ann Holton	11	11
David Frederick Purcell	11	7
Nikola Sanders	11	4
Jesse Daniel Graham	11	-
Bruce Leonard Argyle	11	10

The Board has three sub-committees, Finance, Marketing & Development and Property which have elected Directors who meet on a regular, or as needs basis, and present reports/recommendations to monthly Board meetings where required.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes 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 board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Healesville, Victoria on 29 August 2014.



Gary James Slater, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Healesville & District Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.



David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 29 August 2014

Healesville District Community Enterprise Limited
ABN 64 143 284 182
Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	4	268,689	222,159
Employee benefits expense		(265,994)	(274,410)
Charitable donations, sponsorship, advertising and promotion		(18,031)	(7,340)
Occupancy and associated costs		(60,327)	(57,739)
Systems costs		(34,768)	(35,552)
Depreciation and amortisation expense	5	(36,285)	(39,886)
Finance costs	5	(9,651)	(459)
General administration expenses		(61,721)	(60,020)
Loss before income tax		(218,088)	(253,247)
Income tax expense/(credit)	6	-	(153,427)
Loss after income tax		(218,088)	(406,674)
Total comprehensive income for the year		(218,088)	(406,674)
Earnings per share for loss attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	20	(24.26)	(45.23)

The accompanying notes form part of these financial statements

Healesville District Community Enterprise Limited
ABN 64 143 284 182
Balance Sheet
as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	121	545
Trade and other receivables	8	33,273	22,498
Total Current Assets		33,394	23,043
Non-Current Assets			
Property, plant and equipment	9	168,654	181,022
Intangible assets	10	49,028	71,027
Total Non-Current Assets		217,682	252,049
Total Assets		251,076	275,092
LIABILITIES			
Current Liabilities			
Trade and other payables	11	19,720	23,216
Borrowings	12	339,697	147,760
Provisions	13	10,930	7,491
Total Current Liabilities		370,347	178,467
Non-Current Liabilities			
Provisions	13	3,362	1,170
Total Non-Current Liabilities		3,362	1,170
Total Liabilities		373,709	179,637
Net Assets		(122,633)	95,455
Equity			
Issued capital	14	872,080	872,080
Accumulated losses	15	(994,713)	(776,625)
Total Equity		(122,633)	95,455

The accompanying notes form part of these financial statements

Healesville District Community Enterprise Limited
ABN 64 143 284 182
Statement of Changes in Equity
for the year ended 30 June 2014

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	<u>872,080</u>	<u>(369,951)</u>	<u>502,129</u>
Total comprehensive income for the year	<u>-</u>	<u>(406,674)</u>	<u>(406,674)</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	<u><u>872,080</u></u>	<u><u>(776,625)</u></u>	<u><u>95,455</u></u>
Balance at 1 July 2013	<u>872,080</u>	<u>(776,625)</u>	<u>95,455</u>
Total comprehensive income for the year	<u>-</u>	<u>(218,088)</u>	<u>(218,088)</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	<u><u>872,080</u></u>	<u><u>(994,713)</u></u>	<u><u>(122,633)</u></u>

The accompanying notes form part of these financial statements

Healesville District Community Enterprise Limited
ABN 64 143 284 182
Statement of Cash Flows
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		280,016	231,542
Payments to suppliers and employees		(462,726)	(452,078)
Interest received		-	457
Interest paid		(9,651)	(459)
Net cash provided used in operating activities	16	<u>(192,361)</u>	<u>(220,538)</u>
Cash flows from investing activities			
Payments for intangible assets		-	(12,360)
Net cash provided used in investing activities		<u>-</u>	<u>(12,360)</u>
Net decrease in cash held		(192,361)	(232,898)
Cash and cash equivalents at the beginning of the financial year		(147,215)	85,683
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>(339,576)</u></u>	<u><u>(147,215)</u></u>

The accompanying notes form part of these financial statements

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Notes to the Financial Statements
for the year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Notes to the Financial Statements
for the year ended 30 June 2014

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

a) Basis of preparation (*continued*)

*Adoption of new and amended accounting standards (*continued*)*

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Healesville, Victoria.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branch
- 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.

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Notes to the Financial Statements
for the year ended 30 June 2014

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

a) Basis of preparation (*continued*)

Going concern

The net liabilities of the company as at 30 June 2014 were \$122,633 and the loss made for the year was \$218,088, bringing accumulated losses to \$944,713.

In addition:	\$
Total assets were	251,076
Total liabilities were	373,709
Operating cash flows were	(192,361)

There was a 46% decrease in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2015. The overdraft has an approved limit of \$500,000 and was drawn to \$339,697 as at 30 June 2014.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2014/15 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Healesville & District Community Enterprise Limited
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Notes to the Financial Statements
for the year ended 30 June 2014

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (i.e. 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 company entity intends to settle its tax assets and liabilities on a net basis.

Healesville & District Community Enterprise Limited
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Note 1. Summary of significant accounting policies (*continued*)

c) Income tax (*continued*)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

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

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (*continued*)

m) Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) 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.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

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Notes to the Financial Statements
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Note 2. Financial risk management (*continued*)

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Note 3. Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2014 \$	2013 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	258,839	213,420
- other revenue	2,021	8,403
Total revenue from operating activities	<u>260,860</u>	<u>221,823</u>
Non-operating activities:		
- interest received	-	336
- rental revenue	7,829	-
Total revenue from non-operating activities	<u>7,829</u>	<u>336</u>
Total revenues from ordinary activities	<u>268,689</u>	<u>222,159</u>

Healesville & District Community Enterprise Limited
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Note 5. Expenses	2014	2013
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	2,660	6,260
- leasehold improvements	11,625	11,626
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise establishment fee	20,000	20,000
	<u>36,285</u>	<u>39,886</u>
Finance costs:		
- interest paid	<u>9,651</u>	<u>459</u>
Bad debts	<u>2</u>	<u>74</u>

Note 6. Income tax expense/credit

The components of tax expense comprise:

- Future income tax benefit attributable to losses	(60,332)	(71,393)
- Movement in deferred tax	(112)	402
- Tax losses not brought to account	60,444	70,991
- Tax losses previously brought to account, now written back	-	(153,427)
	<u>-</u>	<u>(153,427)</u>

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss	(218,088)	(253,247)
Prima facie tax on loss from ordinary activities at 30%	(65,427)	(75,974)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	112	(402)
- other deductible expenses	(1,617)	(1,617)
	<u>(60,332)</u>	<u>(71,393)</u>
Movement in deferred tax	(112)	402
Tax losses not brought to account	60,444	70,991
Write off of benefit previously brought to account	-	(153,427)
	<u>-</u>	<u>(153,427)</u>

Income tax losses

Future income tax benefits arising from tax losses are not recognised at reporting date as a realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:

<u>284,861</u>	<u>224,418</u>
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Note 7. Cash and cash equivalents

Cash at bank and on hand	<u>121</u>	<u>545</u>
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Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	121	545
Bank overdraft	(339,697)	(147,760)
	<u>(339,576)</u>	<u>(147,215)</u>

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Notes to the Financial Statements
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Note 8. Trade and other receivables	2014 \$	2013 \$
Trade receivables	19,666	14,131
Other receivables and accruals	9,849	4,609
Prepayments	3,758	3,758
	<u>33,273</u>	<u>22,498</u>

Current trade receivables are generally on 30-day terms. The receivables are assessed for recoverability and a provision for impairment recognised when there is objective evidence that an individual trade receivable is impaired. At 30 June 2014 trade receivables \$2,252 (2013: \$397.16) were past due but not considered impaired as it is expected that these amounts will be received.

Note 9. Property, plant and equipment

Plant and equipment		
At cost	37,135	35,217
Less accumulated depreciation	(24,126)	(21,466)
	<u>13,009</u>	<u>13,751</u>
Leasehold improvements		
At cost	193,863	193,863
Less accumulated depreciation	(38,218)	(26,592)
	<u>155,645</u>	<u>167,271</u>
Total written down amount	<u>168,654</u>	<u>181,022</u>

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	13,751	20,011
Additions	1,919	-
Disposals	-	-
Less: depreciation expense	(2,660)	(6,260)
Carrying amount at end	<u>13,010</u>	<u>13,751</u>
Leasehold improvements		
Carrying amount at beginning	167,271	178,898
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,627)	(11,627)
Carrying amount at end	<u>155,644</u>	<u>167,271</u>
Total written down amount	<u>168,654</u>	<u>181,022</u>

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	2014 \$	2013 \$
Note 10. Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(6,665)	(4,667)
	<u>3,335</u>	<u>5,333</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(66,668)	(46,667)
	<u>33,332</u>	<u>53,333</u>
Redomicile Fees	<u>12,361</u>	<u>12,361</u>
Total written down amount	<u>49,028</u>	<u>71,027</u>
Note 11. Trade and other payables		
Trade creditors	8,691	5,216
Other creditors and accruals	11,029	18,000
	<u>19,720</u>	<u>23,216</u>
Note 12. Borrowings		
Current:		
Bank overdrafts	339,697	147,760
	<u>339,697</u>	<u>147,760</u>
The Bendigo Bank Business Solutions overdraft facility limit is \$500,000. Interest Rate is currently 4.7%, varying from time to time. The overdraft is secured by fixed and floating charge over the company's assets.		
Note 13. Provisions		
Current:		
Provision for annual leave	<u>10,930</u>	<u>7,491</u>
Non-Current:		
Provision for long service leave	<u>3,362</u>	<u>1,170</u>
Note 14. Contributed equity		
899,026 Ordinary shares fully paid (2013: 899,026)	899,026	899,026
Less: equity raising expenses	(26,946)	(26,946)
	<u>872,080</u>	<u>872,080</u>

Note 14. Contributed equity (*continued*)

Rights attached to shares

(a) *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.

(b) *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 and Adelaide Bank Limited 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).

(c) *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 259. As at the date of this report, the company had 288 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 his or her associates) have a prohibited shareholding interest, are suspended.

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

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Note 14. Contributed equity (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.

	2014 \$	2013 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(776,625)	(369,951)
Net loss from ordinary activities after income tax	(218,088)	(406,674)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(994,713)</u>	<u>(776,625)</u>

Note 16. Statement of cash flows

	2014 \$	2013 \$
Reconciliation of loss from ordinary activities after tax to net cash provided used in operating activities		
Loss from ordinary activities after income tax	(218,088)	(406,674)
Non cash items:		
- depreciation	14,285	17,886
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(10,775)	(7,348)
- (increase)/decrease in other assets	(1,918)	153,427
- increase/(decrease) in payables	(3,496)	1,793
- increase/(decrease) in provisions	5,631	(1,622)
Net cash flows used in operating activities	<u>(192,361)</u>	<u>(220,538)</u>

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	46,118	44,345
- between 12 months and 5 years	15,373	55,432
- greater than 5 years	-	-
	<u>61,491</u>	<u>99,777</u>

The business lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 1 October 2015 with the option of another 5 year term.

Note 18. Auditor's remuneration

	2014	2013
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,350	3,850
- non audit services	1,707	2,000
	<u>6,057</u>	<u>5,850</u>

Note 19. Director and related party disclosures

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

Transactions with Key Management Personnel	2014	2013
	\$	\$
Gary Slater provided relief cleaning services to the company during the period under review and received	180	154

Key Management Personnel Shareholdings	2014	2013
Ordinary shares fully paid	74,104	74,104

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

Note 20. Earnings per share		2014	2013
		\$	\$
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(218,088)	(406,674)
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	899,026	899,026

Note 21. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 22. Contingent liabilities and contingent assets

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

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Healesville, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
205 Maroondah Highway
HEALESVILLE VIC 3777

Principal Place of Business
205 Maroondah Highway
HEALESVILLE VIC 3777

Healesville District Community Enterprise Limited
ABN 64 143 284 182
Notes to the Financial Statements for the Year Ended 30 June 2014

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	121	545	-	-	-	-	-	-	-	-	0.01	3.32
Receivables	-	-	-	-	-	-	-	-	29,514	17,889	N/A	N/A
Financial liabilities												
Interest bearing liabilities	339,697	147,760	-	-	-	-	-	-	-	-	3.79	0.76
Payables	-	-	-	-	-	-	-	-	19,719	22,740	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(3,396)	(1,472)
Decrease in interest rate by 1%	(3,396)	(1,472)
Change in equity		
Increase in interest rate by 1%	(3,396)	(1,472)
Decrease in interest rate by 1%	(3,396)	(1,472)

Healesville & District Community Enterprise Limited
ABN 64 143 284 182
Directors' Declaration

In accordance with a resolution of the directors of Healesville & District Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Gary James Slater, Chairman

Signed on the 29th of August 2014.

Independent auditor's report to the members of Healesville & District Community Enterprise Limited

Report on the financial report

I have audited the accompanying financial report of Healesville & District Community Enterprise Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The audit did not involve an analysis of the prudence of business decisions made by directors or management.

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Healesville & District Community Enterprise Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying my opinion, I draw attention to Note 1 in the financial report, which indicates that the company incurred a loss after tax of \$218,088 during the year ended 30 June 2014, further increasing the company's net liabilities to \$122,633. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Healesville & District Community Enterprise Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 29 August 2014



Healesville Community Bank® Branch
205 Maroondah Highway, Healesville, VIC 3777
Phone: (03) 5962 1011

www.bendigobank.com.au/public/community/our-branches/healesville

www.facebook.com/pages/Healesville-Community-Bank-Branch/203313366351460?fref=ts

Franchisee: Healesville & District Community Enterprise Ltd
205A Maroondah Highway, Healesville VIC 3777
Phone: (03) 5962 1011
ABN: 64 143 284 182

Share Registry:

Low Volume Market:
www.bendigobank.com.au/public/community/our-branches/healesville/trading-shares-lvm

www.healesvillecommunitybank.com/

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