



Heidelberg District Community Enterprise Limited

ABN 62 095 312 744

ANNUAL REPORT 2013

East Ivanhoe and Heidelberg **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2013

I am delighted to present to you, our shareholders, this 13th Annual Report of Heidelberg District Community Enterprise Ltd (HDCEL).

The past 12 months, July 2012 to June 2013, our 12th year of operation, has been a year of consolidation for the company. The East Ivanhoe **Community Bank**[®] Branch continues to have healthy growth and Heidelberg is continuing to grow, albeit in a difficult environment.

Your Board of Directors continues to focus on the company's Vision and Mission in all decisions that we make.

Our vision

Our vision is to be a key element in the success of our community's development, sustainability and prosperity. We will provide a level of service and community involvement that has people feeling left out if they are not banking with either Heidelberg **Community Bank**[®] Branch or East Ivanhoe **Community Bank**[®] Branch.

Our mission

Our mission is

- to grow a sound and profitable banking facility for the Heidelberg, East Ivanhoe 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 them.

Current position

I announce to you that for the 2012/13 year the company made a profit of \$295,074 after provision for income tax. This is a significant improvement on last year's profit of \$126,809. This profit result is reached after deducting our annual allocation toward community grants and sponsorships.

During the last 12 months the number of customers of our two **Community Bank**[®] branches has continued to grow resulting in the gross revenue increasing from \$2,131,142 to \$2,453,930, a healthy net increase of \$322,788.

We believe the company is performing soundly, is governed well and we as a business provide exemplary service. We believe Bendigo and Adelaide Bank Ltd continue to provide a great banking service and give excellent support to our enterprise as respected partners in this **Community Bank**[®] branch business.

Management and staff

Our highly experienced staff team, now numbering 13 members, are critical players in our company's success. They continue to present and uphold the vision of the company, and continue to provide excellent service to our customers and to the community.

Our team is led by Sam Pearce, the Senior Manager and Manager at Heidelberg. Sam is ably supported by Greg Arnott, the Manager at East Ivanhoe.

Julie Bullen and Jo-Ann Downey are Customer Relationship Managers. Susan Scroop, Amy Rigoni-Smith, Carole King, Maxine Galovic, Sylvia Watson and Kerry Young are Customer Relationship Officers and Adam Greenland, Kane Sexton and Samantha Dawes are Customer Service Officers.

The Board acknowledge and appreciate the energy and enthusiasm that the staff have for the **Community Bank**[®] concept, and the strong commitment to our company's 'vision and values'.

Chairman's report (continued)

Marketing and business development

The Marketing and Business Development Committee was further strengthened with additional committee members to extend our reach into the community. We have continued to build on our resources to get Directors and Managers out into community groups to share our story, promote our brand and essentially build our business.

During the 12-month period the "Defib Your Club for Life" program was rolled out, where 20 groups throughout the region were provided with life-saving automatic defibrillator units, as well as training support for their committees. Recipients included local schools, sporting clubs, as well as charitable organisations. Two units were also gifted to the East Ivanhoe and Heidelberg Trader Associations, and these units are located in our branches in each of the shopping strips.

We have implemented further systems at branch level to maintain accurate records of the support coming into the branch from grant and sponsorship recipients. It is critical to our business model that the beneficiaries of our community contributions understand the importance of a strong level of banking business in our two branches to sustain these programs. As such our 'Community Partner Nights' continue to be an important component of our communications plan, ensuring our local sponsor recipients are strong advocates of our bank through their thorough understanding of the model.

The **Community Bank**[®] network created the Collaborative Marketing Committee where funds from across the Victorian Branch network were pooled to give the bank better buying power to tell the **Community Bank**[®] message on a broader scale. This resulted in the "Believe in your Bank" campaign which aired on prime time TV, throughout the cinema network and also on major billboard locations throughout the state.

Communications with shareholders was also a high priority, culminating in our inaugural Shareholder Dinner, where we celebrated \$2,000,000 in community contributions since the East Ivanhoe branch was established. It provided an opportunity to re-connect with our shareholder group and highlight the outcomes achieved by this small business in the past 12 years.

Community contributions

During this 12 month period the East Ivanhoe and Heidelberg **Community Bank**[®] branches have supported the community with \$331,833.

The breakdown of this figure has been:-

- \$ 171,077 toward sponsorships and
- \$ 160,756 towards grants to different local not-for-profit organisations.

See the table at the end of this report for a detailed list of recipients.

Through our sponsorship and grants program we are building a healthier business as the return on this investment into our community is realised. It is our aim is to maximise this return on our community investment and grow it over the following years.

Shareholders

Thank you for your support. You are ambassadors of the **Community Bank**[®] concept and of the tangible benefits it brings to our community. We want you to help us spread the word and to encourage others to;

'Support the bank that supports your community'.

The Board of Directors are proud to announce a dividend of 6¢ per share, fully franked, payable to all shareholders in late October 2013. This is our tenth successive dividend allocation. See the table at the end of this report for a look at our past dividend allocation. Our shares are still available and trading on the open market at the National Stock Exchange. Just as shareholders have benefited from the success of your company, so too has the local community through our grants and sponsorship program. A remarkable situation with our total community return including dividends reaching \$2.4 million since 2001.

Chairman's report (continued)

The Board of Directors join me in encouraging those shareholders who are not yet banking with the East Ivanhoe or Heidelberg **Community Bank**[®] branches that you consider doing so. For those who are enjoying the **Community Bank**[®] concept we thank you and also encourage you to share this with family and friends.

Board of Directors

I feel privileged to be the Chairman of the HDCEL Board supported by such diligent, conscientious and community minded fellow Directors. In addition we are fortunate to have the expertise of Carly Kluge as our Community Liaison and PR officer, and Pam Tremlett as our Bookkeeper and Minute Secretary. These support roles are critical to the smooth operation of our company.

In November 2012 we reluctantly accepted the resignation of Company Secretary John Nelson. John was a longstanding and invaluable member of our Board and we wish him well in his retirement. Sarina Sorrenti spent an effective twelve months on the Board and resigned in June this year. We now have 10 Directors on the Board.

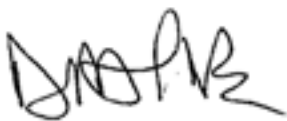
All Board members share positions on one or more of the following Committees; Human Resource, Audit & Governance, Marketing & Business Development and Property.

Throughout this year Directors have attended various professional development seminars and workshops including the National and the State **Community Bank**[®] Conferences held in Brisbane and Bendigo.

All shareholders should feel proud that your company is seen as mature and well functioning and is held in high regard within the **Community Bank**[®] network. We continue to be approached to assist younger, less established companies to achieve their goals.

In the role as Chairman, I am grateful for the support of Deputy Chair, Nan Caple, Company Secretary, Russell Hutchins and Treasurer Brett Purchase, along with the rest of the Board members. Our Board members contribute generously of their time and of their expertise. Directors on the Board of HDCEL together embrace the philosophy of the **Community Bank**[®] concept and work cooperatively toward achieving our goals. You can be assured that shareholder interests and value are at the forefront of Board deliberations and decisions on matters affecting the company.

I look forward to our Annual General Meeting on Wednesday 13 November 2013 and hope as many shareholders as possible can attend to learn about the excellent work being carried out on their behalf, within our community.



David Mayne
Chairman

Senior Manager's report

For year ending 30 June 2013

East Ivanhoe and Heidelberg **Community Bank**[®] branches:

Good for you and good for your community!

It's amazing to see the wonderful impact your local **Community Bank**[®] branch is having on your community.

The strength of our **Community Bank**[®] branches is built on the back of our community and in partnership with the people of East Ivanhoe, Heidelberg and surrounds.

Again we've had another great year with the following:

- Over \$336,000 in community contributions to 66 local community groups for the year
- Heidelberg **Community Bank**[®] Branch reached in excess of \$110 million in banking business in under four years.
- East Ivanhoe **Community Bank**[®] Branch continues to show sustained growth and high level banking services as a critical business within the East Ivanhoe shopping village.
- Our combined book now exceeds \$280 million in banking business – Growth of approximately \$20 million in the past 12 months.
- Over \$1.79 million in community contributions since opening the doors back in 2001.

I would like to thank the following:

- Our Directors who have provided wonderful support to our team and continue to commit their time and efforts into impacting our community.
- Our staff at both branches who continue to set the highest level of service to our customer base and community groups.
- Our shareholders who continue to back this wonderful **Community Bank**[®] model and without whom we wouldn't exist.
- Our partner, Bendigo and Adelaide Bank, who continue to support us as we seek to grow into the future in partnership with them and the community.

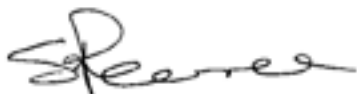
The continued success of our enterprise is dependant on the support of our community and to ensure this support we encourage:

- Our shareholders to transfer all their banking to the **Community Bank**[®] branch.
- Our community sponsorship/grant recipients and their members to transfer their banking.
- Our existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for your East Ivanhoe and Heidelberg **Community Bank**[®] branches.

The model is simple - the more support we receive the greater support we are able to return through partnering with our local community.

East Ivanhoe & Heidelberg **Community Bank**[®] branches:

Good for you and good for your community!



Sam Pearce

Senior Manager – East Ivanhoe and Heidelberg

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation[™] (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green[™] (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank**[®] partners. As a result some **Community Bank**[®] companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank**[®] model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank**[®] model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

David John Mayne

Chairman and Non-executive Director
Infrastructure Consultant

David worked in the communication industry for over 35 years, holding positions in engineering, sales and marketing and commercial management. He has also worked in the mining industry. David has extensive experience at the executive management level with a major communication company and now works part time as an Infrastructure Consultant.

David is married with two children and has lived in the area for over 30 years. He is an active member of the Heidelberg community.

Sub Committee member: Marketing and Business Development

Interest in shares: 32,000

Russell James Hutchins

Secretary and Non-executive Director
IT Consultant

Russell has more than 30 years commercial experience in the banking and information technology industries. He holds degrees in Science and Business. He is committed to supporting community activities by ensuring the **Community Bank**[®] continues to operate as a well managed and high performing business.

Sub Committee member: Audit and Governance (Chair)

Interest in shares: 13,000

Brett Straun Purchase

Treasurer and Non-executive Director
Public Accountant

Brett is a principal of his own accounting firm and has been for over 27 years. He is a Certified Practising Accountant with particular interest in management accounting. Brett enjoys golf and has served as Treasurer and board member of the Heidelberg Golf Club. He is also a past member of the Heidelberg Traders Association and served on local basketball committees over the past 25 years.

Brett also enjoys assisting the local community through his involvement with the **Community Bank**[®].

Sub Committee member: Audit and Governance

Interest in shares: 2,000

Evelyn Maree Stagg

Independent Non-executive Director
Teacher

Lyndy holds a Graduate Diploma in Educational Administration and an Advanced Certificate in the Art and Science of Movement. She also holds senior teaching position at a local school and has considerable experience in the education field.

She has many ties with community groups and is a Ivanhoe Sea Scouts Cub Leader and former Vice president of Hockey Victoria.

Sub Committee member: Marketing and Business Development

Interest in shares: 3,950

Directors' report (continued)

Directors (continued)

Paul Anthony Gittings

Independent Non-executive Director

Retired Real Estate Agent

Paul has extensive experience in the Real Estate field, including running his own successful Real Estate Agency with 44 employees and 2,000 properties under management. He is involved with a number of community groups.

Sub Committee member: Marketing and Business Development, Property

Interest in shares: 60,000

Brian Thomas Simpson

Independent Non-executive Director

Retired Bank Executive

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

Sub Committee member: Audit and Governance, Human Resources

Interest in shares: 10,000

Janette Marie Corcoran

Independent Non-executive Director

Academic

Janette is a specialist in the field of social innovation, focusing on eEngagement, and currently holds the position of Emeritus Professor Robert HT Smith Research Fellow (eResearch), CRN (Cooperative Research Network). Previously Janette held the position of Executive Director (Asia Pacific Centre for Social Investment & Philanthropy, Swinburne University) and earlier was Program Director Research with Ashoka (Southern Africa), an organisation specialising in social entrepreneurship. Janette has also worked in a range of government areas, managing branches in information management and corporate services, and leading commercialisation initiatives.

Sub Committee member: Marketing and Business Development

Interest in shares: Nil

Nancy Louise Caple

Independent Non-executive Director

Retailer

Nan has been operating a successful retail business in East Ivanhoe for over 20 years. She was heavily involved in the establishment of the East Ivanhoe branch. Nan plays an active role in many aspects of the community.

Sub Committee member: Marketing and Business Development (Chair), Human Resources

Interest in shares: 22,077

Graham Peter Norman

Independent Non-executive Director

Chartered Accountant

Graham has practiced as a Chartered Accountant in Ivanhoe for the past 34 years. He is also a member of the Rotary Club of Ivanhoe and has a strong interest in the local business and community development.

Sub Committee member: Audit and Governance, Property

Interest in shares: 33,930

Tracy Maria Margieson

Independent Non-executive Director

Arts Manager

Tracy holds a Bachelor of Arts (Advanced) from the University of Sydney and a Graduate Certificate of Arts and Entertainment Management from Deakin University, where she was awarded the George Fairfax Prize for top graduand. She has worked in festivals and event management and marketing and communications in both the not-for-profit and local government sector. She has held roles with Banyule City Council, where she gained an intimate knowledge of the local area and worked closely with a wide range of community groups. She is passionate about theatre and the arts, and the role that they play in increasing community connectedness. Tracy owns and operates her own arts management business.

Sub Committee member: Human Resources, Marketing and Business Development

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Sarina Elizabeth Sorrenti

Independent Non-executive Director (Resigned
1 June 2013)
Management Consultant
Sarina has over 20 years experience in business.
She has worked in the areas of executive coaching,
strategic marketing and planning, business
development and organisational change.
Sub Committee member: Marketing and Business
Development
Interest in shares: Nil

John Kenneth Nelson

Secretary (Resigned 13 November 2012)
Chartered Accountant (Semi-retired)
John is a long term resident of Ivanhoe. He has
considerable experience in finance roles in both
private and public companies. He is committed to
supporting community projects and activities.
Sub Committee member: Audit Governance, Human
Resources
Interest in shares: 1,150

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 Russell James Hutchins. Russell was appointed to the position of secretary on 13 November 2012 following the resignation of John Nelson. Russell has more than 30 years commercial experience in the banking and information technology industries and holds degrees in both Science and Business.

Principal Activities

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

There has 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 profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	367,134	126,809

Operating and Financial Review

Operations

The Company is a sole purpose entity, namely providing banking services, under a franchise agreement with Bendigo and Adelaide Bank Limited. Although the Company is reliant on Bendigo and Adelaide Bank for its products, services and operational procedures and policies, the model has been proven both robust and successful. This has provided the Company with a sound commercial foundation upon which to build its local business operations.

The Company was able to grow its revenue base by some \$322,000 during the financial year with modest increases in costs. This has been driven by the strong and consistent marketing efforts by staff and Directors to sell the message of **Community Bank®** concept and grow the business through relationships with community groups.

Directors' report (continued)

Operating and Financial Review (continued)

Operations (continued)

As the Heidelberg branch continues to mature, this growth can be expected to continue over time.

Profit before tax has increased by over 108% compared to 2012 even after allowing for an increase of some 19% in sponsorships, donations and promotional efforts.

The future growth of the business will continue to come from greater community interaction through our two locations, leading to higher volumes of business and hence, profits.

Financial Position

The Balance Sheet has strengthened due to retention of profits as well as the market revaluation of the Company's investment property. The Company is meeting franchise cash holding obligations by setting aside funds for that purpose. Bendigo and Adelaide Bank has enforced upon **Community Bank**[®] branches, a reweighting of profit sharing on Term Deposits. This will have a detrimental impact on the Company's revenue in 2013/14 and beyond, however this is not expected to materially affect operations.

The Company has essentially no debt on its investment property, which is considered to be a strategic investment for the business.

The Company is managing its liabilities with the view to keeping them as low as possible. It is considered that the Company has enough liquidity to meet its ongoing commitments.

Discussion of Business Strategies

The Board is currently discussing strategies revolving around owning the properties from which its branches operate. It is expected that this may take some time to achieve in light of current leases that are in place.

Some of the benefits in adopting this strategy are that shareholder value will be enhanced and cash can be freed up to contribute more back into the community via sponsorships, grants and/or dividends.

Certainty of tenure is also a key focus for the Company occupying its own sites.

Prospects for Future Financial Years

The Company's business growth revolves very strongly, around close, consistent and aggressive local marketing to community groups. The Business Development Committee works closely with the Company's marketing manager and branch managers on winning new business using a variety of strategies to leverage the Company's community relationships.

There may be consideration given to opening a third site when the Board considers that the current two locations are mature enough but as that process requires community engagement, that is not likely to occur in the near future.

The Company continuously evaluates all operational risks and, other than those financial risks identified in Note 2 to the Financial Statements, does not consider there are any significant risks that are likely to have a detrimental impact on its business.

Directors' report (continued)

Remuneration Report

Remuneration Policy

The remuneration policy of Heidelberg District Community Enterprise Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Remuneration Structure

All Directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

Non-executive Director remuneration policy:

The Board's policy is to remunerate non-executive directors for their time, commitment and responsibilities. The amount paid is determined by the Board and regularly reviewed based on current practices, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors has been approved by shareholders in accordance with legal requirements.

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

Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

Directors' report (continued)

Remuneration Report (continued)

Performance based remuneration (continued)

The Company does not pay performance based remuneration to any Director.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

Company performance, shareholder wealth and directors' and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last 8 years for the entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as improving returns to shareholders. The improvement in the Company's performance over the last 7 years has not been reflected in the Company's share price, but the board is satisfied that the share price has been maintained at a reasonable level. In 2009 the share price fell in line with the business valuation and subsequent bonus share issue and has been steady since that time. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past 7 years.

	2013	2012	2011	2010	2009	2008	2007	2006
Revenue	2,453,930	2,131,142	1,928,462	1,503,807	1,155,436	1,125,559	925,121	790,995
Net profit/(loss)	295,074	126,809	5,222	(19,366)	84,834	194,740	192,202	117,994
Share price at year end	0.85	0.80	0.80	0.80	1.00	1.18	1.17	1.00
Net dividend paid	137,903	114,919	68,952	45,967	-	124,166	47,756	47,756

Directors Fees

For the year ended 30 June 2013 the directors received total remuneration including superannuation, as follows:

	Amount \$
David John Mayne	5,000
Brett Straun Purchase	5,000
Russell James Hutchins	4,167
Evelyn Maree Stagg	-
Paul Anthony Gittings	3,000
Nancy Louise Caple	3,000
Brian Thomas Simpson	3,000
Graham Peter Norman	3,000
Janette Marie Corcoran	-

Directors' report (continued)

Remuneration Report (continued)

Directors Fees (continued)

	Amount \$
Tracy Maria Margieson	-
Sarina Elizabeth Sorrenti (Resigned 1 June 2013)	-
John Kenneth Nelson (Resigned 13 November 2012)	2,083

Fees and payments to Directors recognise the demands which are made on and the responsibilities of the Directors. Directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of remaining directors.

Options issued as part of remuneration for the year ended 30 June 2013

No options have been issued as part of remuneration for the year ended 30 June 2013.

Employment Contracts of Directors

There are no employment contracts for Directors.

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year:	6.00	137,903

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.

Matters Subsequent to 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.

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.

Directors' report (continued)

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the managers 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:

Director	Board Meetings Attended		Committee Meetings Attended							
			Audit & Governance		Human Resources		Marketing & Business Development		Property	
	A	B	A	B	A	B	A	B	A	B
David John Mayne	11	11	-	-	-	-	11	9	-	-
Brett Straun Purchase	11	10	4	4	-	-	-	-	-	-
Russell James Hutchins	11	8	4	3	-	-	-	-	-	-
Evelyn Maree Stagg	8	4	-	-	-	-	9	8	-	-
Paul Anthony Gittings	11	6	-	-	-	-	11	8	5	5
Nancy Louise Caple	11	10	-	-	6	6	11	11	-	-
Brian Thomas Simpson	9	7	4	3	5	5	-	-	-	-
Graham Peter Norman	11	9	4	3	-	-	-	-	5	5
Janette Marie Corcoran	11	9	-	-	-	-	10	7	-	-
Tracy Maria Margieson	11	8	-	-	6	3	10	3	-	-
Sarina Elizabeth Sorrenti (Resigned 1 June 2013)	10	4	-	-	-	-	10	6	-	-
John Kenneth Nelson (Resigned 13 November 2012)	4	3	1	1	2	2	-	-	-	-

A - Eligible to attend B - Number attended

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.

Directors' report (continued)

Non Audit Services (continued)

The board of directors has considered the position, in accordance with the advice received from the audit committee 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 audit committee 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.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the board of directors at East Ivanhoe, Victoria on 26 August 2013.



**Russell James Hutchins,
Company Secretary**

Auditor's independence declaration



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

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a faint, illegible stamp.

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

Dated: 26 August 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABRN 51 961 795 217.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St, PO Box 454 Bendigo Vic. 3552

afs@afbendigo.com.au

www.afsbendigo.com.au

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	2,453,930	2,131,142
Employee benefits expense		(799,602)	(795,052)
Charitable donations, sponsorship, advertising and promotion		(530,295)	(447,629)
Occupancy and associated costs		(264,294)	(256,823)
Systems costs		(132,592)	(131,287)
Depreciation and amortisation expense	5	(79,316)	(83,164)
Finance costs	5	(49)	(52)
General administration expenses		(265,684)	(233,907)
Profit before income tax expense		382,098	183,228
Income tax expense	6	(87,024)	(56,419)
Profit after income tax expense		295,074	126,809
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings		72,060	-
Other comprehensive income for the year		72,060	-
Total comprehensive income for the year		367,134	126,809
Earnings per share (cents per share)			
		c	c
- basic profit for the year	24	12.84	5.52

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	567,222	425,613
Trade and other receivables	8	179,431	174,054
Total Current Assets		746,653	599,667
Non-Current Assets			
Property, plant and equipment	9	1,475,496	1,351,390
Intangible assets	10	52,414	79,984
Deferred tax assets	11	18,581	16,264
Financial assets	12	10,000	10,000
Total Non-Current Assets		1,556,491	1,457,638
Total Assets		2,303,144	2,057,305
LIABILITIES			
Current Liabilities			
Trade and other payables	13	57,036	58,969
Current tax liabilities	11	49,861	42,643
Borrowings	14	818	769
Provisions	15	56,798	48,766
Total Current Liabilities		164,513	151,147
Non-Current Liabilities			
Provisions	15	10,968	7,726
Total Non-Current Liabilities		10,968	7,726
Total Liabilities		175,481	158,873
Net Assets		2,127,663	1,898,432
Equity			
Issued capital	16	1,641,165	1,641,165
Reserves	17	72,060	-
Retained earnings	18	414,438	257,267
Total Equity		2,127,663	1,898,432

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Notes	Issued Capital \$	Retained Earnings \$	Reserves \$	Total Equity \$
Balance at 1 July 2011		1,641,165	245,377	-	1,886,542
Total comprehensive income for the year		-	126,809	-	126,809
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	22	-	(114,919)	-	(114,919)
Balance at 30 June 2012		1,641,165	257,267	-	1,898,432
Balance at 1 July 2012		1,641,165	257,267	-	1,898,432
Total comprehensive income for the year		-	295,074	72,060	367,134
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	22	-	(137,903)	-	(137,903)
Balance at 30 June 2013		1,641,165	414,438	72,060	2,127,663

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		2,565,312	2,296,626
Payments to suppliers and employees		(2,214,432)	(2,095,326)
Interest received		14,900	14,460
Income taxes paid		(82,123)	23,461
Net cash provided by operating activities	19	283,657	239,221
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(4,145)	(140,067)
Payments for loans advanced		-	(10,000)
Net cash used in investing activities		(4,145)	(150,067)
Cash Flows From Financing Activities			
Dividends paid		(137,903)	(114,919)
Net cash used in financing activities		(137,903)	(114,919)
Net increase/(decrease) in cash held		141,609	(25,765)
Cash and cash equivalents at the beginning of the financial year		425,613	451,378
Cash and cash equivalents at the end of the financial year	7(a)	567,222	425,613

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

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 revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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**[®] branches at East Ivanhoe and Heidelberg, 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**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] 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; and
- sales techniques and proper customer relations.

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 benefit 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 (ie ‘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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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 (ie, 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.

Notes to the financial statements (continued)

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 is 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 |

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

The franchise fee, establishment fee and renewal processing 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.

i) Payment Terms

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

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) 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

Notes to the financial statements (continued)

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.

(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.

(i) 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; and

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2013 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, hence there is 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.

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

	Note	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities			
Operating activities:			
- services commissions		2,289,794	2,105,652
Total revenue from operating activities		2,289,794	2,105,652
Non-operating activities:			
- interest received		18,080	13,017
- rental revenue		46,409	12,473
- gain on revaluation of land and buildings	9	99,647	-
Total revenue from non-operating activities		164,136	25,490
Total revenues from ordinary activities		2,453,930	2,131,142

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		4,514	7,304
- leasehold improvements		47,232	48,290
Amortisation of non-current assets:			
- franchise agreement		4,314	4,314
- franchise establishment/renewal fee		23,256	23,256
		79,316	83,164
Finance costs:			
- interest paid		49	52
Bad debts		270	1,088

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		89,942	44,581
- Movement in deferred tax		(2,318)	7,940
- Recoupment of prior year tax losses		-	5,837
- Adjustments to tax expense of prior periods		(600)	(1,939)
		87,024	56,419

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

Operating profit		382,098	183,228
Prima facie tax on profit from ordinary activities at 30%		114,629	54,968
Add tax effect of:			
- non-deductible expenses		4,800	5,301
- timing difference expenses		2,318	(7,940)
- other timing differences		(29,894)	-
- other deductible expenses		(1,911)	(1,911)
		89,942	50,418
Movement in deferred tax	11	(2,318)	7,940
Adjustments to tax expense of prior periods		(600)	(1,939)
		87,024	56,419

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	136,972	161,696
Term deposits	430,250	263,917
	567,222	425,613

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	136,972	161,696
Term deposits	430,250	263,917
	567,222	425,613

Note 8. Trade and Other Receivables

Trade receivables	160,367	157,103
Other receivables and accruals	5,461	2,280
Prepayments	13,603	14,671
	179,431	174,054

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	69,357	65,212
Less accumulated depreciation	(52,918)	(48,403)
	16,439	16,809

Leasehold improvements

At cost	506,538	506,538
Less accumulated depreciation	(144,731)	(115,832)
	361,807	390,706

Land and buildings

Freehold land:

- at cost	-	361,000
- at independent valuation (2013)	440,000	-
Total land	440,000	361,000

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Buildings		
- at cost	-	747,997
- at independent valuation (2013)	660,000	-
Less accumulated amortisation	(2,750)	(65,475)
Less impairment (Director valuation 2009)	-	(99,647)
	657,250	582,875
Total land and buildings	1,097,250	943,875
Total written down amount	1,475,496	1,351,390
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	16,809	24,113
Additions	4,145	-
Disposals	-	-
Less: depreciation expense	(4,515)	(7,304)
Carrying amount at end	16,439	16,809
Leasehold improvements		
Carrying amount at beginning	390,706	420,244
Additions	-	-
Disposals	-	-
Less: depreciation expense	(28,899)	(29,538)
Carrying amount at end	361,807	390,706
Freehold land		
Carrying amount at beginning	361,000	361,000
Additions	-	-
Disposals	-	-
Revaluation increments	79,000	-
Less: amortisation expense	-	-
Carrying amount at end	440,000	361,000

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Buildings		
Carrying amount at beginning	582,875	601,626
Additions	-	-
Disposals	-	-
Revaluation increments	92,708	-
Less: amortisation expense	(18,333)	(18,751)
Carrying amount at end	657,250	582,875
Total written down amount	1,475,496	1,351,390

The freehold land and buildings were independently valued at 22 April 2013 by Miles Real Estate. The valuation resulted in a total revaluation increment of \$171,708. In accordance with Australian Accounting Standard AASB 116 - Property, Plant and Equipment \$99,648 of the increment, relating to a reversal of impairment resulting from a previous valuation, is recognised as revenue in the Statement of Comprehensive Income. The remaining portion of the increment totalling \$72,060 is recognised directly in Equity under the Asset Revaluation Reserve.

Note 10. Intangible Assets

Franchise fee		
At cost	31,570	31,570
Less: accumulated amortisation	(22,488)	(18,174)
	9,082	13,396
Establishment/Renewal processing fee		
At cost	116,282	116,282
Less: accumulated amortisation	(72,950)	(49,694)
	43,332	66,588
Total written down amount	52,414	79,984

Note 11. Tax

Current:		
Income tax payable	49,861	42,643

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 11. Tax (continued)		
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	20,329	16,948
	20,329	16,948
Deferred tax liability		
- accruals	1,638	684
- property, plant and equipment	110	-
	1,748	684
Net deferred tax asset	18,581	16,264
Movement in deferred tax charged to statement of comprehensive income	(2,318)	7,940

Note 12. Financial Assets

Loan - Edenhope & District Financial Services Limited	10,000	10,000
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The loan is an interest free loan with a term of five years. The loan is repayable in full by 27 March 2017.

Note 13. Trade and Other Payables

Trade creditors	53,019	55,149
Other creditors and accruals	4,017	3,820
	57,036	58,969

Note 14. Borrowings

Current:

Bank loans	818	769
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Note 15. Provisions

Current:

Provision for annual leave	26,956	20,061
Provision for long service leave	29,842	28,705
	56,798	48,766

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 15. Provisions (continued)		
Non-Current:		
Provision for long service leave	10,968	7,726

Note 16. Contributed Equity

East Ivanhoe

1,098,386 Ordinary shares fully paid (2012: 1,098,386)	473,010	473,010
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A bonus share issue on a 1.3:1 basis (620,826 shares) was issued to all existing shareholders on 17 June 2009.

Heidelberg

1,200,000 Ordinary shares fully paid (2012: 1,200,000)	1,200,000	1,200,000
Less: equity raising expenses	(31,845)	(31,845)
	1,168,155	1,168,155
	1,641,165	1,641,165

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®** branches have the same ability to influence the operation of the company.

Rights attached to shares (continued)

(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).

Notes to the financial statements (continued)

Note 16. Contributed Equity (continued)

Rights attached to shares (continued)

(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.

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 441 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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the NSX.

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.

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 17. Reserves			
Asset revaluation reserve	9	72,060	-

Note 18. Retained Earnings

Balance at the beginning of the financial year	257,267	245,377
Net profit from ordinary activities after income tax	295,074	126,809
Dividends paid or provided for	(137,903)	(114,919)
Balance at the end of the financial year	414,438	257,267

Note 19. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	295,074	126,809
Non cash items:		
- depreciation	51,746	55,593
- amortisation	27,570	27,571
- gain on revaluation of land and buildings	(99,647)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,377)	(28,247)
- (increase)/decrease in other assets	(2,317)	37,237
- increase/(decrease) in payables	(1,884)	5,525
- increase/(decrease) in provisions	11,274	(27,910)
- increase/(decrease) in current tax liabilities	7,218	42,643
Net cashflows provided by operating activities	283,657	239,221

Note 20. 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	197,502	192,490
- between 12 months and 5 years	137,549	441,228
- greater than 5 years	-	-
	335,051	633,718

Notes to the financial statements (continued)

Note 20. Leases (continued)

The lease on the East Ivanhoe branch premises is a five year lease with the option of one additional five year term. The lease commenced on 1 April 2011 with annual rent of \$78,599 plus GST.

The lease on the Heidelberg branch premises is a five year lease with the option of two additional five year terms. The lease commenced on 1 July 2009 with annual rent of \$118,902 plus GST.

	2013	2012
	\$	\$

Note 21. Auditor's Remuneration

Amounts received or due and receivable by Andrew Frewin & Stewart for:

- audit and review services	4,700	4,500
- non audit services	2,335	2,998
	7,035	7,498

Note 22. Director and Related Party Disclosures

The names of directors who have held office during the financial year and their remuneration including superannuation, as follows:

Directors Remuneration	2013	2012
	\$	\$
David John Mayne	5,000	4,000
Brett Straun Purchase	5,000	4,500
Russell James Hutchins	4,167	3,000
Evelyn Maree Stagg	-	-
Paul Anthony Gittings	3,000	3,000
Nancy Louise Caple	3,000	4,000
Brian Thomas Simpson	3,000	3,000
Graham Peter Norman	3,000	3,500
Janette Marie Corcoran	-	-
Tracy Maria Margieson	-	-
Sarina Elizabeth Sorrenti (Resigned 1 June 2013)	-	-
John Kenneth Nelson (Resigned 13 November 2012)	2,083	5,000

Notes to the financial statements (continued)

Note 22. Director and Related Party Disclosures (continued)

Fees and payments to directors reflect the demands which are made on and the responsibilities of the directors. Directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of remaining directors.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2013 \$	2012 \$
Nancy Caple is the proprietor of So Swish, a retail store specialising in homeware, kitchenware and gifts. During the financial year the company purchased gifts for staff members from So Swish to the value of	463	-

Directors Shareholdings	2013	2012
David John Mayne	32,000	32,000
Brett Straun Purchase	2,000	2,000
Russell James Hutchins	13,000	13,000
Evelyn Maree Stagg	3,950	3,950
Paul Anthony Gittings	60,000	60,000
Nancy Louise Caple	22,077	22,077
Brian Thomas Simpson	10,000	10,000
Graham Peter Norman	33,930	33,930
Janette Marie Corcoran	-	-
Tracy Maria Margieson	-	-
Sarina Elizabeth Sorrenti (Resigned 1 June 2013)	-	-
John Kenneth Nelson (Resigned 13 November 2012)	1,150	1,150

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 23. Dividends Paid or Provided		
a. Dividends paid during the year		
Prior year proposed final		
100% (2012: 100%) fully franked dividend - 6 cents (2012: 5 cents) per share	137,903	114,919
The tax rate at which dividends have been franked is 30% (2012: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	191,889	168,867
- franking credits that will arise from payment of income tax payable as at the end of the financial year	49,861	42,620
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	241,750	211,487
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	241,750	211,487

Note 24. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	295,074	126,809
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,298,386	2,298,386

Note 25. Events Occurring After the Balance Sheet Date

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

Note 26. Contingent Liabilities

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

Note 27. Segment Reporting

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

Notes to the financial statements (continued)

Note 28. Registered Office/Principal Place of Business

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

Registered Office

233-235 Lower Heidelberg Road

Ivanhoe East VIC 3079

Principal Place of Business

233-235 Lower Heidelberg Road

Ivanhoe East VIC 3079

164 Burgundy Street

Heidelberg VIC 3084

Note 29. Financial Instruments

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

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	136,572	161,296	430,250	263,917	-	-	-	-	400	400	3.18	3.82
Receivables	-	-	-	-	-	-	-	-	179,431	174,054	N/A	N/A
Financial Liabilities												
Borrowings	-	-	818	769	-	-	-	-	-	-	6.10	6.94
Payables	-	-	-	-	-	-	-	-	57,036	58,969	N/A	N/A

Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 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; and
- (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.



**Russell James Hutchins,
Company Secretary**

Signed on the 26th of August 2013.

Independent audit report



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

Report on the financial report

We have audited the accompanying financial report of Heidelberg District Community Enterprise Limited, which comprises the balance sheet as at 30 June 2013, 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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we 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 our 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, we 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.

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

We 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 our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation. AFRN 51 963 705 111

P: (03) 5443 8344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We 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 our opinion:

- 1) The financial report of Heidelberg 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 2013 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Heidelberg District Community Enterprise Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 26 August 2013

NSX report

Share Information

In accordance with National Stock Exchange of Australia listing rules the company provides the following information current as at 13 September 2013.

There are 58 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities.

All shares on issue are ordinary shares fully paid to \$1.

There are no unquoted equity securities. The total number of shareholders is 441.

The following table shows the 11 largest shareholders

Shareholder	Number of fully paid shares held	Percentage of issued capital
Valley Maintenance Services	80,000	3.48%
Tessala Pty Ltd Superannuation Fund	35,875	1.56%
Donnelly Super Fund	35,640	1.55%
Berwell Pty Ltd	34,600	1.51%
Exardua Pty Ltd	33,930	1.48%
JL Knorr Pty Ltd	33,000	1.44%
Abraham Khoury	32,075	1.40%
Barlow Financial Services Super Fund	23,000	1.00%
Riadell Pty Ltd	23,000	1.00%
Drivecor Superannuation Fund	22,300	0.97%
Drivecor Pty Ltd	22,300	0.97%
Total	375,720	16.36%

Security register

The security register (share register) is kept at:

Share Data National Share Registry Services

52 Angove Park Drive

Tea Tree Gully

South Australia 5091

Telephone (08) 8395 2308

Directors' right to subscribe for equity or debt securities

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

NSX report (continued)

Comparative table of performance, assets and liabilities

	2013	2012	2011	2010	2009
Revenue	2,453,930	2,131,142	1,928,462	1,503,807	1,155,436
Net profit/(loss)	295,074	126,809	5,222	(19,366)	84,834
Total assets	2,303,144	2,057,305	2,165,223	2,635,055	1,555,762
Total liabilities	175,481	158,873	278,681	684,783	740,157
Total equity	2,127,663	1,898,432	1,886,542	1,950,272	815,605

Explanatory notes:

1. In September 2009 the company opened its second branch in Heidelberg. \$1,200,000 in share capital was raised to fund this new branch. The opening of the new branch has had a negative impact on the Net Profit in subsequent years, as any new branch takes time to build its business and become profitable.
2. The 2009 net profit took in to account an impairment of fixed asset cost of \$99,647.
3. During the 2011 year surplus cash was utilized to repay a loan.
4. A fixed asset revaluation in April 2013 resulted in a revaluation increment of \$171,708, reversing the 2009 impairment which is recognised in the 2013 net profit and the remaining \$72,060 recognised directly in equity.

Directors' emoluments

One Director, Evelyn Maree Stagg has elected to waive her right to a fee for her services. Her reason for doing so was her desire that this position of Director be voluntary as a contribution to the local community.

Sponsorships and grants for 2012/13

1st West Heidelberg Scout group	Heidelberg West Football Club
Alphington Bowling Club	Inner North East Community Radio
Amateur Repertory Company	Ivanhoe Bowling Club
Austin Palliative Care Unit	Ivanhoe Cricket Club
Banksia Palliative Care Service	Ivanhoe Diamond Valley Centre
Banyule City Council - Festivals	Ivanhoe East Primary School
Banyule City Council - Kids Community Camps	Ivanhoe Knights Basketball Club
Banyule City Council - Volunteer Awards	Ivanhoe Netball Club
Banyule City Council - Women in Business lunch	Ivanhoe Park Croquet Club
Banyule City Soccer Club	Latrobe Golf Club
Banyule Community Health	Latrobe University Football Club
Banyule Cricket Club	Lower Plenty Dance Group
Banyule Junior Football Club	Macleod College
Banyule Men's Club	Macleod Football Club
Banyule Support and Information Centre	Macleod Preschool
Banyule Tennis Club	Macleod YMCA
City of Heidelberg Bowling Club	Mother of God Primary School
Diamond Valley Special Development School	North Heidelberg Football Club
Diamond Valley Superules Football Club	Old Ivanhoe Grammarians Football Club
Eaglemont Tennis Club	Olympic Colts Football Club
East Ivanhoe Bowling Club	Olympic Village Exodus Community
East Ivanhoe Preschool Centre	Open House
East Ivanhoe Saints Cricket Club	Rosanna Bowling Club
East Ivanhoe Traders Association	Rotary Club of Heidelberg
Edmund Rice Camps Inc	St Bernadette's Primary School
Employment Focus	St James Anglican Church
Fairfield Primary School	The Salt Foundation
Heidelberg All Stars	Variety Club Victoria
Heidelberg Football Club	Viewbank Cricket Club
Heidelberg Occasional Childcare Centre	Viewbank Tennis Club
Heidelberg Presbyterian Church	Volunteers of Banyule
Heidelberg Pre-School Association	West Ivanhoe Sporting Club
Heidelberg Traders Association	Youth Foundation 3081

Total – \$331,833

Community contributions and shareholder dividends

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
	\$1,041,139	\$754,880	\$1,796,019	\$910,515

* CEF - Community Enterprise Foundation.

** Grants distributed from contributions to CEF

Shareholder dividends paid

	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
		\$611,070

Corporate governance statement

The company's Board of Directors and management are committed to supporting the principles of good corporate governance, integrity, protecting shareholder interests and Bendigo and Adelaide Bank Limited's reputation and serving the local Heidelberg district community. The company's corporate governance practices and policies have been developed by taking into account applicable requirements in such things as:

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

The Board and Board Committees

At the date of this report, the Board consisted of 10 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 Board Committees is composed exclusively of Directors. The Board Committees and their major objectives are:

Audit and Governance Committee – To ensure the accuracy of the company's financial records and to ensure that the company complies with its fiduciary responsibilities.

Marketing and Business Development Committee – To promote the company within the community and maximise the effectiveness of the company's investment into sponsorship and marketing activities, and to actively provide business development opportunities for the two branches to promote business growth.

Human Resources Committee – To monitor and maintain all aspects of Board / staff relations.

Property Committee – To deal with all maintenance issues relating to the properties occupied by the branches, and the investment properties occupied by tenants. The committee is also responsible for liaison with landlords, agents, and tenants.

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 Board 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 Board committees also meet monthly or bi-monthly to review their respective functions.

Appointment and removal of the executive management of the company is a function of the Board as a whole. Certain powers have been delegated by the Board to executive 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 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 monitors this information with Bendigo and Adelaide Bank at a minimum monthly, or more frequently if required, and requests more information where necessary.

Corporate governance statement (continued)

The responsibilities of the Board include:

- Preparing the company's strategy and objectives
- Reviewing and approving the budgets and business plans prepared by management and Bendigo and Adelaide Bank
- Reviewing the performance of the company against objectives
- 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
- Ensuring the adequacy of the internal controls, procedures and policies of the company
- Reporting to shareholders and other stakeholders.

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



East Ivanhoe **Community Bank**[®] Branch
233-235 Lower Heidelberg Road,
East Ivanhoe VIC 3079
Phone: (03) 9497 5133 Fax: (03) 9497 5233

Heidelberg **Community Bank**[®] Branch
164 Burgundy Street, Heidelberg VIC 3084
Phone: (03) 9457 2055 Fax: 03 9458 3646

Franchisee: Heidelberg District Community
Enterprise Limited
233-235 Lower Heidelberg Road,
East Ivanhoe VIC 3079
Phone: (03) 9497 5133 Fax: (03) 9497 5233
ABN: 62 095 312 744

www.bendigobank.com.au/heidelberg
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