Annual Report 2014

Heidelberg District Community Enterprise Limited

ABN 62 095 312 744

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

Contents

Chairman's report

For year ending 30 June 2014

I am delighted to present to you our shareholders, this 14th Annual Report of Heidelberg District Community Enterprise Limited.

The past 12 months (July 2013 to June 2014), our 14th year of operation, has been a tough year for the company. While East Ivanhoe **Community Bank**® Branch continues to have growth and Heidelberg **Community Bank**® Branch is also growing, the environment is extremely difficult.

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

- 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

Despite the difficult year the company has made a profit of $118,588 after provision for income tax. This result has been reached after deducting our annual allocation toward community grants and sponsorships. This is a decrease in profit from the 2013/14 result of $295,074. Part of this is due to the difficult economical environment and also our reduced revenue resulting from "Restoring the Balance", which reduced our share of income across a range of products. Bendigo Bank had kept us fully informed of this situation, however coming in a year of slow growth made it particularly difficult. With our second **Community Bank**® branch now established and continuing to grow, we are anticipating a better year in 2014/15.

During the last 12 months, the number of customers at our two **Community Bank**® branches has continued to grow, however the gross revenue decreased from $2.453 million to $2.235, million, a decrease of $218,964.

Despite this, we believe the company is performing soundly, is governed well and provides exemplary service. We are convinced Bendigo Bank continues to provide a great banking service and gives excellent support to our enterprise as respected partners in this **Community Bank**® business. We will continue to focus on our customers and increasing the amount of business they have with us.

Management and staff

Our team is led by Senior Manager Sam Pearce. Sam is also Manager at Heidelberg **Community Bank**® Branch. He is supported by Greg Arnott, Manager at East Ivanhoe **Community Bank**® Branch.

The Board acknowledges and appreciates the energy and enthusiasm that our 16 highly experienced staff have for the **Community Bank**® concept, and their strong commitment to our company's Vision and Values. They are critical players in our company's success and continue to present and uphold the vision of the company, and continue to provide excellent service to our customers and to the community.

Following our 2014 planning session, it was agreed the strategy would be, where possible, to move into our own premises.

Our first priority will be to look for a suitable property in Heidelberg to purchase. A review will be done of our East Ivanhoe property to see if it would be feasible to move into and or, purchase another suitable property. Consideration will also be given to Project Horizon which is looking at the future of retail banking and what will be required. This work is being carried out by the Property Committee.

Marketing and business development

We continued to focus on spreading the **Community Bank®** story, creating greater awareness amongst the community and through this, improving our business.

The Directors and management team are focusing directly on connecting and maintaining contact with all the community entities that have benefited from our grants and sponsorships. We aim to develop strong relationships with these recipients, ensuring they have a key understanding of the importance of supporting the branches that in turn support them in their endeavours.

We have implemented systems at branch level that can maintain accurate records of the support coming to both **Community Bank®** branches from each of our grant and sponsorship recipients. Our focus on both quantitative and qualitative measurement is showing improved results and a better understanding of the community in which we operate.

Our dinners, held at the local Latrobe Golf Club, have been successful and well supported initiatives. The guests hear the great community outcomes, achieved not only through the **Community Bank®** model, but also other community initiatives and this has indeed reaped rewards for our company and our community.

Community contributions

During this 12 month period the East Ivanhoe and Heidelberg **Community Bank®** branches have supported the community with $298,125.

The breakdown of this figure has been:-

- $185,975 toward sponsorships and donations
- $ 112,150 towards grants to different local not-for-profit organisations.

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

The notion of any organisation contributing over $298,000 to local groups in any one year is a considerable accomplishment. Heidelberg District Community Enterprise Limited has achieved this in a difficult environment and this is testimony to the strength of the **Community Bank®** model, the commitment and passion of the staff and the Directors of our company.

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 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 and payable to all shareholders in late October 2014. This is our 11th successive dividend allocation.

Just as shareholders have benefited from the success of our company, our total community return, including dividends, is nearing $2.9 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 to consider doing so. For those who are enjoying the **Community Bank**® experience, 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 Heidelberg District Community Enterprise Limited 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 continue to be critical to the smooth running of our company.

Tracy Margieson resigned in November 2013 due to work commitments. We thank Tracy for her input and enthusiasm and wish her every success in the future.

In June 2014 we accepted the resignation of Director and Treasurer Brett Purchase. Brett brought strong commercial skills to the Board and was passionate about his role as Treasurer. We wish Brett well in his future endeavours.

The Board has appointed two new Directors (Geva Murano and Lynne Johnson) to bring the total number of Directors to 10.

All Board members share positions on one or more of the following Committees:

- Human Resource
- Audit & Governance
- Marketing and Business Development
- Property.

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

I would like to acknowledge the tremendous support I have received from Nan Caple, who holds the position of Deputy Chair. Nan continues to be a strong advocate of the **Community Bank**® model in our community.

I would like to thank all Board members, past and present for their support. Our Board members contribute generously of their time and of their expertise. Directors on the Board of the Heidelberg District Community Enterprise Limited embrace the **Community Bank**® philosophy and work cooperatively towards 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 Tuesday 11 November 2014 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 2014

Bigger than a bank!

It's amazing to see the wonderful impact your local **Community Bank**® branches 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 $298,000 in community contributions to 68 local community groups for the year.
- Heidelberg **Community Bank**® Branch reached in excess of $130 million in banking business in under five 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. Total banking business in excess of $170 million.
- Our combined book now exceeds $300 million in banking business; growth of approximately $22 million in the past 12 months.
- Over $2.14 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**® enterprise and without whom we wouldn't exist.
- Our partner, Bendigo Bank, continues 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**® branches.
- 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 and Heidelberg **Community Bank**® branches – **Bigger than a bank**!

Sam Pearce
Senior Manager – East Ivanhoe and Heidelberg

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank®** network, celebrating the opening of its 300th branch while also reaching $120 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 doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

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 projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank®** branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank®** network had achieved the following:

- Returns to community – $122.2 million
- **Community Bank®** branches – 305
- **Community Bank®** branch staff – more than 1,500
- **Community Bank®** company Directors – 1,900
- Banking business – $24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – $36.7 million.

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 Connected Communities Enterprises that provide **Community Bank®** companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most 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 respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank®** shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank®** model is the ultimate example of a win/win partnership and 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 2014

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

Directors

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

David John Mayne
Chairman and Independent 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

Nancy Louise Caple
Independent Non-executive Director
Retailer
Nan has been operating So Swish, a retail home wares business in East Ivanhoe Village for the past 25 years. Nan was instrumental in establishing the East Ivanhoe Community Branch in 2000.Nan plays an active role in many aspects of the local community.
Sub Committee member: Marketing and Business Development (Chair), Human Resources (Deputy Chair)
Interest in shares: 22,077

Evelyn 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

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 (Chair)
Interest in shares: 60,000

Directors (continued)

Graham Peter Norman
Independent Non-executive Director
Chartered Accountant
Graham has practiced as a Chartered Accountant in Ivanhoe for the past 35 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, Human Resources
Interest in shares: 38,930

Russell James Hutchins
Secretary and Independent Non-executive Director
IT Consultant
Russell has over 30 years experience in banking and information technology and has worked in a variety of technical and commercial roles. He holds degrees in Science and Business. He is committed to ensuring that the company operates as a well managed, ethical, high functioning and profitable business to enable it to continue supporting local community initiatives and organisations to the fullest extent possible.
Sub Committee member: Audit and Governance (Chair)
Interest in shares: 13,000

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.
Sub Committee member: Audit and Governance, Human Resources
Interest in shares: 10,000

Janette Marie Corcoran
Independent Non-executive Director
Academic
Janette PhD., MSc., BBus.specialises in the field of social innovation and currently holds the position of Emeritus Professor (Robert HT Smith Research Fellow Research), Collaborative Research Network where she is investigating the development of academic practice in an Information Age. Janette is also Relationship Manager for Timor Leste, overseeing joint capacity development activities and promoting educational linkages. 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. Prior to returning to academia, Janette worked in a range of government areas, managing branches in information management and corporate services, and leading commercialisation initiatives.
Working on Project Horizon
Interest in shares: Nil

Geva Maria Murano
Independent Non-executive Director (Appointed 1 December 2013)
Retired Lawyer
Geva holds a degree in Law and an Associate Diploma in Business. Her main areas of practice were retail lending and property. She has held positions on Committees of Management within local community organisations. She is committed to supporting the community.
Sub Committee member: Audit and Governance
Interest in shares: 2,000

Directors (continued)

Lynne Patricia Johnson
Independent Non-executive Director (Appointed 1 December 2013)
Sonographer - Austin Health
Lynne has worked in Medical Imaging for over 30 years, and at Austin Health Radiology for 25 years. She is currently in charge of the ultrasound service. She also has previous not-for-profit board experience with the Australasian Sonographer's Association.
Sub Committee member: Marketing and Business Development
Interest in shares: 8,600

Brett Shaun Purchase
Treasurer and Independent Non-executive Director (Resigned 30 June 2014)
Public Accountant
Brett is a principal of his own accounting firm and has been for over 27 years. He is a Certified Practicing 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**® branch.
Sub Committee member: Audit and Governance
Interest in shares: 2,000
Directors (continued)

Tracey Maria Margieson
Independent Non-executive Director (Resigned 13 November 2013)
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
Interest in shares: Nil

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

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

Company Secretary

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

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 2014 $	Year ended 30 June 2013 $
118,588	295,074

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.

In a challenging economic environment the Company has experienced a modest decline in revenue compared to the 2013 financial year, however at the same time costs have been well contained. This result has been driven by the strong and consistent marketing efforts by staff and Directors to continue to sell the message of community banking and grow the business through relationships with community groups.

Now that the Heidelberg branch has entered its fifth year of operation it is expected that sound growth will continue.

Despite the decline in profit the Company has maintained its community investments in grants and sponsorships to the same levels as in 2012/13.

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

Financial Position

The strength of the Balance Sheet has been maintained with Retained Earnings similar to the previous year. The Company has cash holdings well in excess of the Franchise obligations which has enabled it to generate investment income.

The Company has 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. The Company has enough liquidity to meet its ongoing commitments.

Discussion of Business Strategies

The Board is continually reviewing strategies revolving around owning the properties from which its branches operate. This will take time to achieve in light of current leases and available suitable alternative sites.

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 a key focus for the Company occupying its own sites.

Another objective of the Board is to expand our reach into neighbouring communities not serviced by other **Community Bank**® branches.

Operating and financial review (continued)

Prospects for Future Financial Years

The Company's business growth revolves very strongly, around close, consistent and targeted local marketing to community groups. The Marketing and Business Development Committee works closely with the Company's Community Liaison Officer 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 continually 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.

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 9.5%, 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 have been entered into with key management personnel.

Remuneration Structure

All Directors are independent non-executive Directors and are paid Directors' fees after a qualifying period as disclosed below.

Remuneration Report (continued)

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.

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 alignment 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. Other than a modest decline in revenue in 2014 analysis of the actual figures shows a consistent 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 8 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 8 years.

	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	2,234,966	2,453,930	2,131,142	1,928,462	1,503,807	1,155,436	1,125,559	925,121
Net profit/(loss)	118,588	295,074	126,809	5,222	(19,366)	84,834	194,740	192,202
Share price at year end	0.85	0.85	0.80	0.80	0.80	1.00	1.18	1.17
Net dividend paid	137,903	137,903	114,919	68,952	45,967	-	124,166	47,756

Remuneration Report (continued)

Directors' Fees

For the year ended 30 June 2014 the directors received total remuneration including superannuation, as follows:

	$
David John Mayne	5,000
Russell James Hutchins	5,000
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	3,000
Geva Maria Murano (Appointed 1 December 2013)	-
Lynne Patricia Johnson (Appointed 1 December 2013)	-
Brett Straun Purchase (Resigned 30 June 2014)	5,000
Tracy Maria Margieson (Resigned 13 November 2013)	1,125
	31,125

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 2014

No options have been issued as part of remuneration for the year ended 30 June 2014.

Employment Contracts of Directors

There are no employment contracts for Directors.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
David John Mayne	32,000	-	32,000
Nancy Louise Caple	22,077	-	22,077
Evelyn Stagg	3,950	-	3,950
Paul Anthony Gittings	60,000	-	60,000
Graham Peter Norman	33,930	5,000	38,930

Remuneration Report (continued)

Directors' shareholdings (continued)

	Balance at start of the year	Changes during the year	Balance at end of the year
Russel James Hutchins	13,000	-	13,000
Brian Thomas Simpson	10,000	-	10,000
Janette Marie Corcoran	-	-	-
Geva Maria Murano (Appointed 1 December 2013)	2,000	-	2,000
Lynne Patricia Johnson (Appointed 1 December 2013)	8,600	-	8,600
Brett Straun Purchase (Resigned 30 June 2014)	2,000	-	2,000
Tracy Maria Margieson (Resigned 13 November 2013)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	$
Dividends paid in the year:	6	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.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings 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	10	7	-	-	-	-	10	8	-	-
Nancy Louise Caple	10	9	-	-	6	6	10	9	-	-
Evelyn Stagg	9	7	-	-	-	-	9	8	-	-
Paul Anthony Gittings	10	9	-	-	-	-	10	7	5	5
Graham Peter Norman	10	7	5	5	6	6	-	-	5	5
Russel James Hutchins	10	9	5	5	-	-	-	-	-	-
Brian Thomas Simpson	8	8	4	4	5	5	-	-	-	-
Janette Marie Corcoran	10	7	-	-	-	-	5	2	-	-
Geva Maria Murano (Appointed 1 December 2013)	5	4	2	2	-	-	-	-	-	-
Lynne Patricia Johnson (Appointed 1 December 2013)	5	5	-	-	-	-	5	5	-	-
Brett Straun Purchase (Resigned 30 June 2014)	10	9	5	3	-	-	-	-	-	-
Tracy Maria Margieson (Resigned 13 November 2013)	5	3	-	-	3	3	5	2	-	-

A - Eligible to attend

B - Number attended

Proceedings on behalf of the company

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

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

Non audit services

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

Non audit services (continued)

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

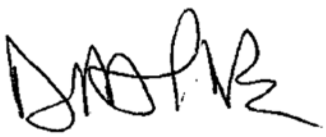
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit and governance 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

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



David John Mayne,
Chairman

Signed on the 29th of August 2014.

Auditor's independence declaration

Partners in success

Chartered Accountants

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, during the year ended 30 June 2014 there have been no contraventions of:

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

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

Dated: 29 August 2014

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	2,234,966	2,453,930
Employee benefits expense		(792,066)	(799,602)
Charitable donations, sponsorship, advertising and promotion		(528,451)	(530,295)
Occupancy and associated costs		(263,175)	(264,294)
Systems costs		(129,961)	(132,592)
Depreciation and amortisation expense	5	(76,201)	(79,316)
Finance costs	5	(47)	(49)
General administration expenses		(271,527)	(265,684)
Profit before income tax expense		**173,538**	**382,098**
Income tax expense	6	(54,950)	(87,024)
Profit after income tax expense		**118,588**	**295,074**
Total comprehensive income for the year		**118,588**	**295,074**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	25	5.16	12.84

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	580,679	567,222
Trade and other receivables	8	192,489	179,431
Total Current Assets		**773,168**	**746,653**
Non-Current Assets			
Property, plant and equipment	9	1,438,138	1,475,496
Intangible assets	10	24,843	52,414
Deferred tax assets	11	23,376	18,581
Financial assets	12	10,000	10,000
Total Non-Current Assets		**1,496,357**	**1,556,491**
Total Assets		**2,269,525**	**2,303,144**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	52,696	57,036
Current tax liabilities	11	23,164	49,861
Borrowings	14	864	818
Provisions	15	58,956	56,798
Total Current Liabilities		**135,680**	**164,513**
Non-Current Liabilities			
Provisions	15	25,497	10,968
Total Non-Current Liabilities		**25,497**	**10,968**
Total Liabilities		**161,177**	**175,481**
Net Assets		**2,108,348**	**2,127,663**
Equity			
Issued capital	16	1,641,165	1,641,165
Reserves	17	72,060	72,060
Retained earnings	18	395,123	414,438
Total Equity		**2,108,348**	**2,127,663**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2014

	Notes	Issued capital $	Retained earnings $	Reserves $	Total Equity $
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	24	-	(137,903)	-	(137,903)
Balance at 30 June 2013		**1,641,165**	**414,438**	**72,060**	**2,127,663**
Balance at 1 July 2013		**1,641,165**	**414,438**	**72,060**	**2,127,663**
Total comprehensive income for the year		**-**	**118,588**	**-**	**118,588**
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	24	-	(137,903)	-	(137,903)
Balance at 30 June 2014		**1,641,165**	**395,123**	**72,060**	**2,108,348**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,432,889	2,565,312
Payments to suppliers and employees		(2,203,080)	(2,214,432)
Interest received		19,265	14,900
Income taxes paid		(86,442)	(82,123)
Net cash provided by operating activities	**19**	**162,632**	**283,657**
Cash flows from investing activities			
Payments for property, plant and equipment		(11,272)	(4,145)
Net cash used in investing activities		**(11,272)**	**(4,145)**
Cash flows from financing activities			
Dividends paid		(137,903)	(137,903)
Net cash used in financing activities		**(137,903)**	**(137,903)**
Net increase in cash held		**13,457**	**141,609**
Cash and cash equivalents at the beginning of the financial year		567,222	425,613
Cash and cash equivalents at the end of the financial year	**7(a)**	**580,679**	**567,222**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

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

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

AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes additional disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this financial report have been included in Note 18. The adoption of this standard does not significantly impact the fair value amounts reported in the Company's financial statements, only the disclosure of fair value measurement and each level of the fair value hierarchy, as set out in Note 3.

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at East Ivanhoe and Heidelberg, Victoria.

The branches operate 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**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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 (continued)

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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

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

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

Note 1. Summary of significant accounting policies (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

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

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:

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

Fair value measurement

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2014 $	2013 $
Operating activities:		
- services commissions	2,163,531	2,289,794
- other revenue	-	-
Total revenue from operating activities	**2,163,531**	**2,289,794**
Non-operating activities:		
- interest received	18,774	18,080
- rental revenue	52,661	46,409
- gain on revaluation of land and buildings	-	99,647
Total revenue from non-operating activities	**71,435**	**164,136**
Total revenues from ordinary activities	**2,234,966**	**2,453,930**

	Note	2014 $	2013 $

Note 5. Expenses

	Note	2014 $	2013 $
Depreciation of non-current assets:			
- plant and equipment		5,924	4,514
- leasehold improvements		42,707	47,232
Amortisation of non-current assets:			
- franchise agreement		4,314	4,314
- franchise renewal fee		23,256	23,256
		76,201	**79,316**
Finance costs:			
- interest paid		**47**	**49**
Bad debts		**836**	**270**

Note 6. Income tax expense

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		59,745	89,942
- Movement in deferred tax		(4,795)	(2,318)
- Adjustments to tax expense of prior periods		-	(600)
		54,950	**87,024**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		173,538	382,098
Prima facie tax on profit from ordinary activities at 30%		52,061	114,629
Add tax effect of:			
- non-deductible expenses		4,800	4,800
- timing difference expenses		4,795	2,318
- other timing differences		-	(29,894)
- other deductible expenses		(1,911)	(1,911)
		59,745	**89,942**
Movement in deferred tax	11	(4,795)	(2,318)
Adjustments to tax expense of prior periods		-	(600)
		54,950	**87,024**

	2014 $	2013 $

Note 7. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	49,576	136,972
Term deposits	531,103	430,250
	580,679	**567,222**
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	49,576	136,972
Term deposits	531,103	430,250
	580,679	**567,222**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	174,551	160,367
Other receivables and accruals	4,969	5,461
Prepayments	12,969	13,603
	192,489	**179,431**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	80,629	69,357
Less accumulated depreciation	(58,842)	(52,918)
	21,787	**16,439**
Leasehold improvements		
At cost	506,538	506,538
Less accumulated depreciation	(170,937)	(144,731)
	335,601	**361,807**
Land and buildings		
Freehold land:		
- at cost	-	-
- at independent valuation (2013)	440,000	440,000
Total land	**440,000**	**440,000**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

	2014 $	2013 $
Buildings		
- at cost	-	-
- at independent valuation (2013)	660,000	660,000
Less accumulated amortisation	(19,250)	(2,750)
	640,750	**657,250**
Total land and buildings	**1,080,750**	**1,097,250**
Total written down amount	**1,438,138**	**1,475,496**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	16,439	16,809
Additions	11,273	4,145
Disposals	-	-
Less: depreciation expense	(5,924)	(4,515)
Carrying amount at end	**21,788**	**16,439**
Leasehold improvements		
Carrying amount at beginning	361,807	390,706
Additions	-	-
Disposals	-	-
Less: depreciation expense	(26,207)	(28,899)
Carrying amount at end	**335,600**	**361,807**
Freehold land		
Carrying amount at beginning	440,000	361,000
Additions	-	-
Disposals	-	-
Revaluation increments	-	79,000
Less: depreciation expense	-	-
Carrying amount at end	**440,000**	**440,000**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Buildings		
Carrying amount at beginning	657,250	582,875
Additions	-	-
Disposals	-	-
Revaluation increments	-	92,708
Less: depreciation expense	(16,500)	(18,333)
Carrying amount at end	**640,750**	**657,250**
Total written down amount	**1,438,138**	**1,475,496**

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, was recognised as revenue in the Statement of Comprehensive Income during the 2013 financial year. The remaining portion of the increment totalling $72,060 was recognised directly in Equity under the Asset Revaluation Reserve.

	2014 $	2013 $

Note 10. Intangible assets

Franchise fee		
At cost	31,570	31,570
Less: accumulated amortisation	(26,802)	(22,488)
	4,768	**9,082**
Establishment fee/Renewal processing fee		
At cost	116,282	116,282
Less: accumulated amortisation	(96,207)	(72,950)
	20,075	**43,332**
Total written down amount	**24,843**	**52,414**

	2014 $	2013 $

Note 11. Tax

Current:		
Income tax payable	**23,164**	**49,861**
Non-Current:		
Deferred tax assets		
- accruals	301	-
- employee provisions	25,336	20,329
- tax losses carried forward		-
	25,637	20,329
Deferred tax liability		
- accruals	1,491	1,638
- deductible prepayments	770	110
	2,261	**1,748**
Net deferred tax asset	**23,376**	**18,581**
Movement in deferred tax charged to statement of comprehensive income	**(4,795)**	**(2,318)**

Note 12. Financial Assets

Loan - Edenhope & District Financial Services Limited	**10,000**	**10,000**

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	48,633	53,019
Other creditors and accruals	4,063	4,017
	52,696	**57,036**

Note 14. Borrowings

Current:		
Bank loan	**864**	**818**

The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan facility that expires on 28 April 2023. $348,634 is available for redraw as at 30 June 2014. Interest is recognised at an average rate of 5.52% (2013: 6.10%).

	2014 $	2013 $

Note 15. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	26,813	26,956
Provision for long service leave	32,143	29,842
	58,956	**56,798**
Non-Current:		
Provision for long service leave	**25,497**	**10,968**

Note 16. Contributed equity

	2014 $	2013 $
East Ivanhoe		
1,098,386 Ordinary shares fully paid (2013: 1,098,386)	473,010	473,010
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 (2013: 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.

Note 16. Contributed equity (continued)

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).

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 206. As at the date of this report, the company had 439 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.

	2014 $	2013 $

Note 17. Reserves

	2014 $	2013 $
Asset revaluation reserve	**72,060**	**72,060**

Note 18. Retained earnings

	2014 $	2013 $
Balance at the beginning of the financial year	414,438	257,267
Net profit from ordinary activities after income tax	118,588	295,074
Dividends paid or provided for	(137,903)	(137,903)
Balance at the end of the financial year	**395,123**	**414,438**

Note 19. Statement of cash flows

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

	2014 $	2013 $
Profit from ordinary activities after income tax	118,588	295,074
Non cash items:		
- depreciation	48,631	51,746
- amortisation	27,570	27,570
- gain on revaluation of land and buildings	-	(99,647)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(13,058)	(5,377)
- (increase)/decrease in other assets	(4,795)	(2,317)
- increase/(decrease) in payables	(4,294)	(1,884)
- increase/(decrease) in provisions	16,687	11,274
- increase/(decrease) in current tax liabilities	(26,697)	7,218
Net cash flows provided by operating activities	**162,632**	**283,657**

Note 20. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Note 20. Fair value measurement (continued)

At 30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	440,000	-	440,000
Buildings	-	660,000	-	660,000
	-	**1,100,000**	**-**	**1,100,000**
Total assets at fair value	**-**	**1,100,000**	**-**	**1,100,000**

At 30 June 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	440,000	-	440,000
Buildings	-	660,000	-	660,000
	-	**1,100,000**	**-**	**1,100,000**
Total assets at fair value	**-**	**1,100,000**	**-**	**1,100,000**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: There were no fair value measurements by the Level 1 fair value hierarchy.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 21. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	194,585	197,502
- between 12 months and 5 years	540,872	137,549
- greater than 5 years	-	-
	735,457	**335,051**

Note 21. 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 current annual rent of $73,067 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 current annual rent of $121,518 plus GST.

	2014 $	2013 $

Note 22. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,950	4,700
- non audit services	3,240	2,335
	8,190	**7,035**

Note 23. Director and related party disclosures

Key Management Personnel Remuneration		
Short-term employee benefits	31,125	28,250
Post-employment benefits	-	-
	31,125	**28,250**
Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.		
Transactions with Key Management Personnel		
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	866	463

Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	192,557	187,557

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

Note 24. Dividends paid or provided

	2014 $	2013 $
a. Dividends paid during the year		
Prior year proposed final		
100% (2013: 100%) franked dividend - 6 cents (2013: 6 cents) per share	**137,903**	**137,903**
The tax rate at which dividends have been franked is 30% (2013: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	219,230	191,889
- franking credits that will arise from payment of income tax payable as at the end of the financial year	23,164	49,861
- 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:	**242,394**	**241,750**
- 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	**242,394**	**241,750**
c. Reconciliation of franking account balance		
Reconciliation of franking account balance as at the end of the financial year		
Opening balance	191,889	168,867
- franking credits from the payment of income tax instalments during the year	49,941	43,398
- franking credits from the payment of income tax following lodgement of income tax returns	36,501	38,725
- franking debits from the payment of fully franked dividends	(59,101)	(59,101)
Closing balance	**219,230**	**191,889**

Note 25. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	118,588	295,074
		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 26. Events occurring after the reporting date

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

Note 27. Contingent liabilities and contingent assets

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

Note 28. 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.

Note 29. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
233-235 Lower Heidelberg Road Ivanhoe East VIC 3079	233-235 Lower Heidelberg Road Ivanhoe East VIC 3079
	164 Burgundy Street Heidelberg VIC 3084

Note 30. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	49,176	136,572	531,103	430,250	-	-	-	-	400	400	2.97	3.18
Receivables	-	-	-	-	-	-	-	-	192,489	179,431	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	864	818	-	-	-	-	-	-	5.52	6.10
Payables	-	-	-	-	-	-	-	-	52,696	57,036	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Note 30. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2014 $	2013 $
Change in profit		
Increase in interest rate by 1%	5,794	5,660
Decrease in interest rate by 1%	(5,794)	(5,660)
Change in equity		
Increase in interest rate by 1%	5,794	5,660
Decrease in interest rate by 1%	(5,794)	(5,660)

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 2014 and of its performance for the financial year ended on that date; and

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

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

David John Mayne,
Chairman

Signed on the 29th of August 2014.

Independent audit report

AFS
Partners in success
Chartered Accountants

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In my opinion:

1. The financial report of 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 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 29 August 2014

NSX report

Share Information

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

In accordance with NSX listing rules the company provides the following information current as at 30 June 2014.

Shareholding

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

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	95	63,615
1,001 to 5,000	226	571,164
5,001 to 10,000	48	399,152
10,001 to 100,000	70	1,264,455
100,001 and over	Nil	
Total shareholders	**439**	**2,298,386**

Equity securities

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to one vote.

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

There are no restricted securities on issue.

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

There are no unquoted equity securities.

The total number of shareholders is 439.

Total number of shares is 2,298,386.

Twelve largest shareholders

The following table shows the 12 largest shareholders:

Shareholder	Number of fully paid shares held	Percentage of issued capital
Valley Maintenance Services	80,000	3.48%
Exardua Pty Ltd	38,930	1.69%
Tessala Pty Ltd Superannuation Fund	35,875	1.56%
Donnelly Super Fund	35,640	1.55%
Berwell Pty Ltd	34,600	1.51%

NSX report (continued)

Twelve largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
JL Knorr Pty Ltd	33,000	1.44%
Abraham Khoury	32,075	1.40%
Beryl Inkster Coombe	24,000	1.04%
Purser Family Trust	23,000	1.00%
Barlow Financial Services Super Fund	23,000	1.00%
Drivecor Superannuation Fund	22,300	0.97%
Drivecor Pty Ltd	22,300	0.97%
Total	**404,720**	**17.61%**

Registered office and principal administrative office

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

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

Security register

The security register (share register) is kept at:

Share Data National Share Registry Services
52 Angove Park Drive,
Tea Tree Gully SA 5091
Telephone: (08) 8395 2308

Company Secretary

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

Directors' right to subscribe for equity or debt securities

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

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial statements in the Annual Report.

Five year comparative table of performance, assets and liabilities

		2014	2013	2012	2011	2010
Gross revenue	$	2,234,966	2,453,930	2,131,142	1,928,462	1,503,807
Net profit before tax	$	118,588	295,074	126,809	5,222	(19,366)
Total assets	$	2,269,525	2,303,144	2,057,305	2,165,223	2,635,055
Total liabilities	$	161,177	175,481	158,873	278,681	684,783
Total equity	$	2,108,348	2,127,663	1,898,432	1,886,542	1,950,272

Explanatory notes:

1. In September 2009 the company opened its second branch in Heidelberg. $1.2 million in share capital was raised to fund this new branch. The opening of the new branch had a negative impact on the net profit in subsequent years, as any new branch takes time to build its business and become profitable. However, by 2012 the company had returned to an acceptable profit level.
2. During the 2011 year surplus cash was utilised to repay a loan.

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 2013/14

1st Ivanhoe Sea Scouts	Ivanhoe Cricket Club
Alphington Bowls Club	Ivanhoe Diamond Valley Centre
Alphington Primary School	Ivanhoe East Primary School
Amateur Repertory Company	Ivanhoe Knights Basketball Club
Austin Health	Ivanhoe Netball Club
Banksia Palliative Care Service	Latrobe Golf Club
Banyule City Soccer Club	Latrobe University Football Club
Banyule Community Health	Latrobe University Hockey Club
Banyule Cricket Club	Lower Plenty Cricket Club
Banyule Junior Football Club	Lower Plenty Dance Group Inc
Banyule Support and Information Centre	Macleod Football Club
Banyule Toy Library	Macleod Junior Football Club
BCC -Festivals	Macleod Village Traders Association
BCC Kids Camps	North Alphington Cricket Club
BCC Women in Business lunch	Old Ivanhoe Grammarians Football Club
Diamond Valley Foodshare	Open House
Diamond Valley Superules Football Club	Parkside Junior Football Club
Eaglemont Tennis Club	Rosanna Bowling Club
East Ivanhoe Bowling Club	Rosanna Cricket Club
East Ivanhoe Pre School	Rosanna Fire Station Community House
East Ivanhoe Saints Cricket Club	Rotary Club of Heidelberg
Employment Focus	Sleepless in September campaign
Fairfield Primary School	St George's Anglican Church
Friends of Wilson Reserve	St John Ambulance Victoria
Heidelberg Allstars	St John's Catholic Tennis Club
Heidelberg Football Club	St John's Primary School
Heidelberg Occasional Childcare Centre	The Catholic Parish of Ivanhoe
Heidelberg Orchestras	The Olympic Village Exodus Community
Heidelberg Pre-School	The Salt Foundation
Heidelberg Stars Soccer Club	Transition 3081
Heidleberg Primary School	Viewbank Cricket Club
Inner North East Community Radio	Viewbank Tennis Club Inc
Ivanhoe Amateur Football Club	West Ivanhoe Sporting Club
Ivanhoe Bowling Club	Youth Foundation 3081

Total – $298,125

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
2013/14	$165,000	$185,975	$350,975	$112,150
	$1,206,139	**$940,855**	**$2,146,994**	**$1,022,665**

* 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
2013/14	6 cents	$137,903
		$748,973

Corporate governance statement

The Heidelberg District Community Enterprise Limited Board of Directors and management are committed to supporting the principles of good corporate governance, integrity, protecting shareholder interests and Bendigo Bank'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 11 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 matters relating to the leased branch properties and the tenanted investment properties.

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

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

Corporate governance statement (continued)

The responsibilities of the Board include:

- Preparing the company's strategy and objectives
- Promoting and developing the company's business interests
- Reviewing and approving the budgets and business plans prepared by management and Bendigo and Adelaide Bank
- Reviewing the performance of the company against objectives
- Liaising with and reporting to Bendigo Bank 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
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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

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233-235 Lower Heidelberg Road,
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