

Heidelberg District Community Enterprise Limited

ABN 62 095 312 744

Financial Report - 30 June 2024

Heidelberg District Community Enterprise Limited

Directors' report

30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

Directors

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

Name: Jeremy Frank McAuliffe
Title: Chair and Non-executive director
Experience and expertise: Jeremy has over 30 years experience in community sector organisations in operational management and executive leadership roles. He currently operates a consulting business that provides governance, compliance and operational support to the aged care sector. He has qualifications in community services and business administration and is an alumnus of the Cranlana Centre for Ethical Leadership. He has lived in the Ivanhoe area for over 25 years and is a life member of two local sporting clubs.
Special responsibilities: Committee member: Human Resources (Chair), Marketing and Business Development

Name: Nancy Louise Caple
Title: Deputy Chair and non-executive director
Experience and expertise: Nancy established and operated So Swish (retail business) from 1989-2016. She was instrumental in establishing the East Ivanhoe Community branch in 2000. She has a Bachelor of Education and taught prior to 1989. Nan currently holds an appointed position on the Community Bank National Council. She is also the Company Secretary for the family management consulting business. Nan is Deputy Chair of the Sycamore Tree Management committee, a social enterprise café located in Heidelberg.
Special responsibilities: Committee member: Marketing and Business Development (Chair), Human Resources

Name: Anne Marie Rogan
Title: Non-executive director
Experience and expertise: Head of Examinations at the Royal Australian and New Zealand College of Radiologists. Experienced senior manager of large teams, managing complex high budget projects. Previous experience on Secondary School Boards. Extensive involvement in sporting clubs in the Ivanhoe district.
Special responsibilities: Committee member: Human Resources, Audit and Governance (Chair)

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

Name: Tara Jayne O'Brien
Title: Non-executive director (resigned 7 June 2024)
Experience and expertise: Tara was previously involved in the Bendigo Bank Future Director program for two years. She holds a Bachelor of Laws (Honours) and Bachelor of Commerce (Accounting) from La Trobe University. She has experience working in the not-for-profit and state and federal public sectors.
Special responsibilities: Committee member: Audit and Governance, Marketing and Business Development

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Name: Paul Yong-Shan Thia
Title: Non-executive director (appointed 15 August 2024)
Experience and expertise: Paul is the Inclusive Local Jobs Officer at Banyule City Council, committed to creating inclusive economic opportunities for residents facing barriers to employment. Previously, he led Council's Social Enterprise Strategy, driving innovative social impact solutions and partnerships. Paul has held various corporate strategy and business advisory roles, including positions at Social Traders and Telstra Corporation Limited. He holds a Bachelor of Commerce and Bachelor of Information Systems from the University of Melbourne. Paul has lived locally all his life.
Special responsibilities: Committee member: Marketing & Business Development

Company secretary

The Company secretary is Michelle Louise Baker. Michelle was appointed to the position of Company secretary on 11 January 2023.

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

Principal activity

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

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to \$1,076,538 (30 June 2023: \$1,219,801).

Operations have continued to perform in line with expectations.

Dividends

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

	2024 \$	2023 \$
Fully franked dividend of 10 cents per share (2023: 4 cents)	<u>226,067</u>	<u>90,527</u>

Significant changes in the state of affairs

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

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Directors' report
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	Board		Audit and Governance		Human Resources		Marketing and Business Development	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Nancy Louise Caple	11	10	-	-	11	10	12	12
Anne Marie Rogan	11	9	8	8	11	9	-	-
Jeremy Frank McAuliffe	11	10	-	-	11	11	12	12
Jason Alexander Talbot	11	10	8	7	-	-	-	-
Tara Jayne O'Brien	10	6	7	5	-	-	8	3
Paul Yong-Shan Thia	-	-	-	-	-	-	-	-

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Nancy Louise Caple	27,077	-	27,077
Anne Marie Rogan	-	-	-
Jeremy Frank McAuliffe	3,450	-	3,450
Jason Alexander Talbot	-	-	-
Tara Jayne O'Brien	-	-	-
Paul Yong-Shan Thia	-	-	-

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

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.

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

Indemnity and insurance of auditor

The company has 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 management of the company except where the liability arises out of conduct involving the lack of good faith.

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 27 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

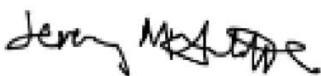
- all non-audit services have been reviewed by the Audit and Governance Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors



Jeremy McAuliffe
Chair

16 September 2024



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

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

As lead auditor for the audit of Heidelberg District Community Enterprise Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated this 16 day of September 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie', is positioned above the printed name.

Jessica Ritchie
Lead Auditor

Heidelberg District Community Enterprise Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue from contracts with customers	7	3,163,435	3,593,493
Other revenue		136,326	68,367
Finance revenue		122,592	38,903
Total revenue		<u>3,422,353</u>	<u>3,700,763</u>
Expenses			
Employee benefits expense	8	(912,281)	(771,561)
Advertising and marketing costs		(198,558)	(158,548)
Occupancy and associated costs		(41,964)	(43,167)
System costs		(38,230)	(41,183)
Depreciation and amortisation expense	8	(78,575)	(91,726)
Finance costs	8	(5,852)	(9,259)
General administration expenses		(209,063)	(195,397)
Other expenses	8	-	(113,227)
Total expenses before community contribution and income tax expense		<u>(1,484,523)</u>	<u>(1,424,068)</u>
Profit before community contributions and income tax expense		1,937,830	2,276,695
Charitable donations, grants and sponsorship expense	8	<u>(505,834)</u>	<u>(650,027)</u>
Profit before income tax expense		1,431,996	1,626,668
Income tax expense	9	<u>(355,458)</u>	<u>(406,867)</u>
Profit after income tax expense for the year		1,076,538	1,219,801
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		<u>-</u>	<u>91,844</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>91,844</u>
Total comprehensive income for the year		<u><u>1,076,538</u></u>	<u><u>1,311,645</u></u>
		Cents	Cents
Basic earnings per share	29	47.38	53.68
Diluted earnings per share	29	47.38	53.68

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Heidelberg District Community Enterprise Limited
Statement of financial position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	10	827,428	667,894
Trade and other receivables	11	339,853	354,794
Investments	12	2,650,000	1,800,000
Total current assets		<u>3,817,281</u>	<u>2,822,688</u>
Non-current assets			
Investment properties	15	1,380,000	1,379,593
Property, plant and equipment	13	95,563	54,421
Right-of-use assets	14	30,806	70,429
Intangible assets	16	61,217	13,275
Total non-current assets		<u>1,567,586</u>	<u>1,517,718</u>
Total assets		<u>5,384,867</u>	<u>4,340,406</u>
Liabilities			
Current liabilities			
Trade and other payables	17	403,683	79,087
Lease liabilities	18	69,040	86,397
Current tax liabilities	9	250,479	376,845
Employee benefits		58,784	53,322
Provisions		46,767	-
Total current liabilities		<u>828,753</u>	<u>595,651</u>
Non-current liabilities			
Trade and other payables	17	50,562	-
Lease liabilities	18	-	68,829
Deferred tax liabilities	9	100,252	91,052
Employee benefits		18,599	3,525
Provisions		-	45,119
Total non-current liabilities		<u>169,413</u>	<u>208,525</u>
Total liabilities		<u>998,166</u>	<u>804,176</u>
Net assets		<u>4,386,701</u>	<u>3,536,230</u>
Equity			
Issued capital	19	1,614,384	1,614,384
Revaluation reserve	20	387,145	387,145
Retained earnings		2,385,172	1,534,701
Total equity		<u>4,386,701</u>	<u>3,536,230</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Heidelberg District Community Enterprise Limited
Statement of changes in equity
For the year ended 30 June 2024

	Note	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2022		1,641,165	295,301	405,427	2,341,893
Profit after income tax expense		-	-	1,219,801	1,219,801
Other comprehensive income, net of tax		-	91,844	-	91,844
Total comprehensive income		-	91,844	1,219,801	1,311,645
<i>Transactions with owners in their capacity as owners:</i>					
Buy back of shares during period		(26,781)	-	-	(26,781)
Dividends provided for or paid	22	-	-	(90,527)	(90,527)
Balance at 30 June 2023		<u>1,614,384</u>	<u>387,145</u>	<u>1,534,701</u>	<u>3,536,230</u>
Balance at 1 July 2023		1,614,384	387,145	1,534,701	3,536,230
Profit after income tax expense		-	-	1,076,538	1,076,538
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	1,076,538	1,076,538
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	22	-	-	(226,067)	(226,067)
Balance at 30 June 2024		<u>1,614,384</u>	<u>387,145</u>	<u>2,385,172</u>	<u>4,386,701</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Heidelberg District Community Enterprise Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,616,403	3,902,522
Payments to suppliers and employees (inclusive of GST)		(1,871,865)	(2,386,096)
Interest received		109,463	18,375
Interest and other finance costs paid		(432)	(75)
Income taxes refunded/(paid)		(472,624)	9,684
Net cash from operating activities	28	<u>1,380,945</u>	<u>1,544,410</u>
Cash flows from investing activities			
Investment in term deposits		(850,000)	(869,750)
Payments for property, plant and equipment	13	(67,742)	(16,876)
Payments for intangible assets		(12,963)	(12,963)
Proceeds from disposal of property, plant and equipment		26,364	-
Net cash used in investing activities		<u>(904,341)</u>	<u>(899,589)</u>
Cash flows from financing activities			
Return of capital	19	-	(26,781)
Repayment of borrowings		-	(1,495)
Interest and other finance costs paid		(3,817)	(7,178)
Dividends paid	22	(226,067)	(90,527)
Repayment of lease liabilities	18	(87,186)	(103,995)
Net cash used in financing activities		<u>(317,070)</u>	<u>(229,976)</u>
Net increase in cash and cash equivalents		159,534	414,845
Cash and cash equivalents at the beginning of the financial year		<u>667,894</u>	<u>253,049</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>827,428</u></u>	<u><u>667,894</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Heidelberg District Community Enterprise Limited

Notes to the financial statements

30 June 2024

Note 1. Reporting entity

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

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

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 September 2024. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Heidelberg District Community Enterprise Limited

Notes to the financial statements

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Note 3. Material accounting policy information (continued)

Impairment of non-financial assets

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

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit. The directors are not aware of any such non-compliance at balance date.
- The company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company.
- The company has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Fair value measurement hierarchy

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

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

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Notes to the financial statements
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Note 4. Critical accounting judgements, estimates and assumptions (continued)

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

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

Impairment of non-financial assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term.

In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

The company includes extension options applicable to the lease of branch premises in its calculations of both the right-of-use asset and lease liability except where the company is reasonably certain it will not exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

Estimates and assumptions

Estimation of useful lives of assets

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

Incremental borrowing rate

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

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in September 2029.

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

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Notes to the financial statements

30 June 2024

Note 5. Economic dependency (continued)

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

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

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

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

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

Note 6. Change to comparative figures

Classification of term deposits

During the year the directors reviewed the requirements of AASB 107 *Statement of Cash Flows* and noted term deposits normally qualify as a cash and cash equivalent only when they have initial investment periods of three months or less. In previous financial years the company classified all term deposits as cash and cash equivalents in the preparation of the financial statements even if they had initial investment periods greater than three months.

In the preparation of the financial statements for the current financial year, the directors updated its accounting policy to align to the requirements of AASB 107, restating comparative figures to reclassify term deposits with initial investment periods greater than three months as current investments instead of cash and cash equivalents in the Statement of financial position.

The change in classification had the following impacts on comparative figures:

- Cash and cash equivalents decreased and investments increased by \$1,800,000 at 30 June 2023 as reported in the Statement of financial position.
- Opening and closing cash balances were reduced to exclude term deposits with initial investment periods greater than three months as reported in the Statement of cash flows.
- Investments in and redemptions of term deposits with initial investment periods greater than three months are now classified within investment activities as reported in the Statement of cash flows.

The change in classification had no impact on the company's net profit or net asset position.

Calculation of right-of-use asset cost and accumulated depreciation

On adoption of AASB 16 *Leases* on 1 July 2019, the company recognised the right-of-use asset cost and accumulated depreciation on a gross basis from the commencement of the lease as if AASB 16 had always been applied by the company.

During the financial year the company recorded a change in accounting policy, whereby it elected to recognise the right-of-use asset net of accumulated depreciation on initial adoption of AASB 16. The change in accounting policy had no impact on the company's net profit or net asset position, however it did reduce the company's right-of-use asset cost and accumulated depreciation at 30 June 2023 by \$710,877.

Heidelberg District Community Enterprise Limited
Notes to the financial statements
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Note 7. Revenue from contracts with customers

	2024	2023
	\$	\$
Margin income	2,953,026	3,423,942
Fee income	99,468	81,987
Commission income	110,941	87,564
	<u>3,163,435</u>	<u>3,593,493</u>

Accounting policy for revenue from contracts with customers

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

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

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, as follows:

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

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Margin income

Margin income on core banking products is arrived at through the following calculation:

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

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

Commission income

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

Fee income

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

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 7. Revenue from contracts with customers (continued)

Core banking products

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

Ability to change financial return

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

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

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

Note 8. Expenses

Employee benefits expense

	2024	2023
	\$	\$
Wages and salaries	768,149	643,264
Non-cash benefits	10,966	4,704
Superannuation contributions	84,044	72,683
Expenses related to long service leave	22,858	(5,562)
Other expenses	26,264	56,472
	<u>912,281</u>	<u>771,561</u>

Depreciation and amortisation expense

	2024	2023
	\$	\$
<i>Depreciation of non-current assets</i>		
Investment properties	-	18,614
Leasehold improvements	13,874	13,816
Plant and equipment	2,879	2,569
Motor vehicles	9,847	5,472
	<u>26,600</u>	<u>40,471</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>40,988</u>	<u>40,269</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,198	2,197
Franchise renewal fee	8,789	8,789
	<u>10,987</u>	<u>10,986</u>
	<u>78,575</u>	<u>91,726</u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
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Note 8. Expenses (continued)

Other expenses

	2024	2023
	\$	\$
Procedural errors	-	113,227
	<u>-</u>	<u>113,227</u>

Bendigo Bank recouped funds from the company during the prior period due to a procedural error. In the current year there was a recoupment of procedural errors recognised as other income.

Finance costs

	2024	2023
	\$	\$
Bank loan interest paid or accrued	432	75
Lease interest expense	3,817	7,178
Unwinding of make-good provision	1,603	2,006
	<u>5,852</u>	<u>9,259</u>

Charitable donations, grants and sponsorship expense

	2024	2023
	\$	\$
Direct donation, sponsorship and grant costs	235,834	175,027
Contribution to the Community Enterprise Foundation™	270,000	475,000
	<u>505,834</u>	<u>650,027</u>

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

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

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

Heidelberg District Community Enterprise Limited
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Note 9. Income tax

	2024	2023
	\$	\$
<i>Income tax expense</i>		
Current tax	349,487	376,845
Movement in deferred tax	9,200	60,637
Future income tax benefit attributable to losses	-	(30,615)
Under/over provision in respect to prior years	(3,229)	-
	<u>355,458</u>	<u>406,867</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	1,431,996	1,626,668
Tax at the statutory tax rate of 25%	357,999	406,667
Tax effect of:		
Non-deductible expenses	688	200
Under/over provision in respect to prior years	(3,229)	-
	<u>355,458</u>	<u>406,867</u>
	2024	2023
	\$	\$
<i>Deferred tax liabilities</i>		
Property, plant and equipment	133,555	133,682
Income accruals	8,593	5,311
Right-of-use assets	7,701	17,607
Lease liabilities	(17,260)	(38,807)
Employee benefits	(19,346)	(14,212)
Provision for lease make good	(11,692)	(11,280)
Accrued expenses	(1,299)	(1,249)
	<u>100,252</u>	<u>91,052</u>
Deferred tax liability	<u>100,252</u>	<u>91,052</u>
	2024	2023
	\$	\$
Provision for income tax	<u>250,479</u>	<u>376,845</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Note 10. Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	<u>827,428</u>	<u>667,894</u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
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Note 11. Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	283,029	317,805
Other receivables and accruals	3,667	3,667
Accrued income	34,372	21,243
Prepayments	18,785	12,079
	<u>56,824</u>	<u>36,989</u>
	<u><u>339,853</u></u>	<u><u>354,794</u></u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.

Note 12. Investments

	2024	2023
	\$	\$
<i>Current assets</i>		
Term Deposits	<u>2,650,000</u>	<u>1,800,000</u>

Note 13. Property, plant and equipment

	2024	2023
	\$	\$
Leasehold improvements - at cost	234,797	234,797
Less: Accumulated depreciation	<u>(206,713)</u>	<u>(192,839)</u>
	<u>28,084</u>	<u>41,958</u>
Plant and equipment - at cost	57,618	57,618
Less: Accumulated depreciation	<u>(48,034)</u>	<u>(45,155)</u>
	<u>9,584</u>	<u>12,463</u>
Motor vehicles - at cost	67,742	39,950
Less: Accumulated depreciation	<u>(9,847)</u>	<u>(39,950)</u>
	<u>57,895</u>	<u>-</u>
	<u><u>95,563</u></u>	<u><u>54,421</u></u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
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Note 13. Property, plant and equipment (continued)

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2022	49,672	4,257	5,472	59,401
Additions	6,102	10,775	-	16,877
Depreciation	<u>(13,816)</u>	<u>(2,569)</u>	<u>(5,472)</u>	<u>(21,857)</u>
Balance at 30 June 2023	41,958	12,463	-	54,421
Additions	-	-	67,742	67,742
Depreciation	<u>(13,874)</u>	<u>(2,879)</u>	<u>(9,847)</u>	<u>(26,600)</u>
Balance at 30 June 2024	<u><u>28,084</u></u>	<u><u>9,584</u></u>	<u><u>57,895</u></u>	<u><u>95,563</u></u>

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements	3 to 12 years
Plant and equipment	5 to 12 years
Motor vehicles	5 years

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

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

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

Note 14. Right-of-use assets

	2024 \$	2023 \$
Land and buildings - right-of-use	401,367	400,002
Less: Accumulated depreciation	<u>(370,561)</u>	<u>(329,573)</u>
	<u><u>30,806</u></u>	<u><u>70,429</u></u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
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Note 14. Right-of-use assets (continued)

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

	Land and buildings \$
Balance at 1 July 2022	110,698
Depreciation expense	<u>(40,269)</u>
Balance at 30 June 2023	70,429
Remeasurement adjustments	1,365
Depreciation expense	<u>(40,988)</u>
Balance at 30 June 2024	<u><u>30,806</u></u>

Accounting policy for right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of-use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Refer to note 18 for more information on lease arrangements.

Note 15. Investment properties

	2024 \$	2023 \$
Investment property - at fair value	1,380,000	1,380,000
Less: Accumulated depreciation	<u>-</u>	<u>(407)</u>
	<u><u>1,380,000</u></u>	<u><u>1,379,593</u></u>

Reconciliation

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

Opening amount	1,379,593	1,275,748
Revaluation increments	-	122,459
Reversal of prior year depreciation	407	-
Depreciation expense	<u>-</u>	<u>(18,614)</u>
Closing amount	<u><u>1,380,000</u></u>	<u><u>1,379,593</u></u>

Fair value

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

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

Refer to note 24 for further information on fair value measurement.

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Note 15. Investment properties (continued)

Accounting policy for investment properties

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

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

Note 16. Intangible assets

	2024	2023
	\$	\$
Franchise fee	78,434	66,648
Less: Accumulated amortisation	(66,191)	(63,993)
	<u>12,243</u>	<u>2,655</u>
Franchise renewal fee	250,571	203,428
Less: Accumulated amortisation	(201,597)	(192,808)
	<u>48,974</u>	<u>10,620</u>
	<u><u>61,217</u></u>	<u><u>13,275</u></u>

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

	Franchise fee	Franchise renewal fee	Total
	\$	\$	\$
Balance at 1 July 2022	4,852	19,409	24,261
Amortisation expense	(2,197)	(8,789)	(10,986)
Balance at 30 June 2023	2,655	10,620	13,275
Additions	11,786	47,143	58,929
Amortisation expense	(2,198)	(8,789)	(10,987)
Balance at 30 June 2024	<u><u>12,243</u></u>	<u><u>48,974</u></u>	<u><u>61,217</u></u>

Accounting policy for intangible assets

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	September 2029
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	September 2029

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

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Note 17. Trade and other payables

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	339,839	18,966
Other payables and accruals	63,844	60,121
	<u>403,683</u>	<u>79,087</u>
<i>Non-current liabilities</i>		
Other payables and accruals	50,562	-
	<u>50,562</u>	<u>-</u>
	2024	2023
	\$	\$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	454,245	79,087
less GST payable to the ATO, included in other payables and accruals	(24,085)	(19,574)
	<u>430,160</u>	<u>59,513</u>

Note 18. Lease liabilities

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Land and buildings lease liabilities	69,040	86,397
	<u>69,040</u>	<u>86,397</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	-	68,829
	<u>-</u>	<u>68,829</u>
<i>Reconciliation of lease liabilities</i>		
	2024	2023
	\$	\$
Opening balance	155,226	252,658
Remeasurement adjustments	1,000	6,563
Lease interest expense	3,817	7,178
Lease payments - total cash outflow	(91,003)	(111,173)
	<u>69,040</u>	<u>155,226</u>

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially measured at the present value of the lease payments to be made over the term of the lease, including renewal options if the company is reasonably certain to exercise such options, discounted using the company's incremental borrowing rate.

The company has applied the following accounting policy choices in relation to lease liabilities:

- The company has elected not to separate lease and non-lease components when calculating the lease liability for property leases.
- The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and low-value assets, which include the company's lease of information technology equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Heidelberg District Community Enterprise Limited
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Note 18. Lease liabilities (continued)

The company's lease portfolio includes:

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

Note 19. Issued capital

	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid	1,673,010	1,673,010	1,673,010	1,673,010
Bonus shares - fully paid (3:1)	625,376	625,376	-	-
Less: Cost of share buy back	(37,720)	(37,720)	(26,781)	(26,781)
Less: Equity raising costs	-	-	(31,845)	(31,845)
	<u>2,260,666</u>	<u>2,260,666</u>	<u>1,614,384</u>	<u>1,614,384</u>

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

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

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Note 19. Issued capital (continued)

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 399 shareholders (2023: 398 shareholders).

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

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

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

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

Note 20. Revaluation reserve

	2024	2023
	\$	\$
Revaluation surplus reserve	<u>387,145</u>	<u>387,145</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings.

Movements in reserves

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

	Revaluation Reserve \$
Balance at 1 July 2022	295,301
Revaluation of property plant and equipment	<u>91,844</u>
Balance at 30 June 2023	<u>387,145</u>
Balance at 30 June 2024	<u><u>387,145</u></u>

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Note 21. Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 22. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2024	2023
	\$	\$
Fully franked dividend of 10 cents per share (2023: 4 cents)	<u>226,067</u>	<u>90,527</u>

Franking credits

	2024	2023
	\$	\$
Franking account balance at the beginning of the financial year	254,881	294,742
Franking credits (debits) arising from income taxes paid (refunded)	472,624	(9,685)
Franking debits from the payment of franked distributions	<u>(75,356)</u>	<u>(30,176)</u>
	652,149	254,881

Franking transactions that will arise subsequent to the financial year end:

Balance at the end of the financial year	652,149	254,881
Franking credits (debits) that will arise from payment (refund) of income tax	<u>250,479</u>	<u>376,845</u>
Franking credits available for future reporting periods	<u>902,628</u>	<u>631,726</u>

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

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 23. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 23. Financial risk management (continued)

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

The directors have identified that the only significant financial risk exposures of the consolidated entity are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

	2024	2023
	\$	\$
Financial assets at amortised cost		
Trade and other receivables excluding prepaid expenses (note 11)	321,068	342,715
Cash and cash equivalents (note 10)	827,428	667,894
Investments (note 12)	2,650,000	1,800,000
	<u>3,798,496</u>	<u>2,810,609</u>
Financial liabilities at amortised cost		
Trade and other payables (note 17)	430,160	59,513
Lease liabilities (note 18)	69,040	155,226
	<u>499,200</u>	<u>214,739</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

The company measures its financial assets at amortised cost.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 23. Financial risk management (continued)

Financial liabilities

Classification

The company measures its financial liabilities at amortised cost.

The company's financial liabilities are measured at amortised cost comprise trade and other payables and lease liabilities.

Derecognition

A financial liability is derecognised when it is extinguished, cancelled or expires.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company held cash and cash equivalents of \$827,428 and term deposits of \$2,650,000 at 30 June 2024 (2023: cash and cash equivalents \$667,894 and term deposits \$1,800,000).

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.

Liquidity risk

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

The following are the company's remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2024				
Trade and other payables	379,598	50,562	-	430,160
Lease liabilities	69,849	-	-	69,849
Total non-derivatives	<u>449,447</u>	<u>50,562</u>	<u>-</u>	<u>500,009</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	59,513	-	-	59,513
Lease liabilities	155,226	69,849	-	225,075
Total non-derivatives	<u>214,739</u>	<u>69,849</u>	<u>-</u>	<u>284,588</u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 24. Fair value measurement

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2024				
<i>Assets</i>				
Investment properties	-	1,380,000	-	1,380,000
Total assets	-	1,380,000	-	1,380,000
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2023				
<i>Assets</i>				
Investment properties	-	1,380,000	-	1,380,000
Total assets	-	1,380,000	-	1,380,000

There were no transfers between levels during the financial year.

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

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

Accounting policy for fair value measurement

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

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

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

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

Note 25. Key management personnel disclosures

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

Nancy Louise Caple
 Anne Marie Rogan
 Jeremy Frank McAuliffe

Jason Alexander Talbot
 Tara Jayne O'Brien
 Paul Yong-Shan Thia

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 25. Key management personnel disclosures (continued)

Key management personnel compensation comprised the following.

	2024	2023
	\$	\$
Short-term employee benefits	37,500	20,500
Post-employment benefits	4,125	2,152
	<u>41,625</u>	<u>22,652</u>

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

Note 26. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 25.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions of transactions with related parties

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

Transactions with related parties

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

Note 27. Remuneration of auditors

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

	2024	2023
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	<u>7,950</u>	<u>6,535</u>
<i>Other services</i>		
Taxation advice and tax compliance services	2,794	1,913
General advisory services	4,741	13,674
Share registry services	<u>3,562</u>	<u>5,738</u>
	<u>11,097</u>	<u>21,325</u>
	<u>19,047</u>	<u>27,860</u>

Heidelberg District Community Enterprise Limited
Notes to the financial statements
30 June 2024

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	2024	2023
	\$	\$
Profit after income tax expense for the year	1,076,538	1,219,801
Adjustments for:		
Depreciation and amortisation	78,575	91,726
Reversal of depreciation	(407)	-
Net gain on disposal of non-current assets	(26,364)	-
Lease liabilities interest	3,817	7,178
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	14,941	(146,791)
Decrease in income tax refund due	-	9,685
Increase in trade and other payables	328,872	1,660
Increase/(decrease) in provision for income tax	(126,366)	376,845
Increase in deferred tax liabilities	9,200	30,021
Increase in employee benefits	20,536	2,109
Increase/(decrease) in other provisions	1,603	(47,824)
Net cash from operating activities	<u>1,380,945</u>	<u>1,544,410</u>

Note 29. Earnings per share

	2024	2023
	\$	\$
Profit after income tax	<u>1,076,538</u>	<u>1,219,801</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,272,344</u>	<u>2,272,344</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,272,344</u>	<u>2,272,344</u>
	Cents	Cents
Basic earnings per share	47.38	53.68
Diluted earnings per share	47.38	53.68

Note 30. Commitments

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

Note 31. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Heidelberg District Community Enterprise Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- 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
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

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

On behalf of the directors



Jeremy McAuliffe
Chair

16 September 2024



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

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

Report on the Audit of the Financial Report

Opinion

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

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

In our opinion, the accompanying financial report of Heidelberg District Community Enterprise Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



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Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the name and address.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated this 16 day of September 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie', is positioned above the name and title.

Jessica Ritchie
Lead Auditor