



Annual Report 2015

Heidelberg District Community
Enterprise Limited

ABN 62 095 312 744

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

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Chairman's report

For year ending 30 June 2015

Once again I present to you, our shareholders, the 15th Annual Report of Heidelberg District Community Enterprise Limited (HDCEL).

The past 2014/15 financial year, our 15th year of operation, has been a very tough year for the company. Both branches have faced continued competition and a subdued market. While both branches continue to grow, it is not as fast as we would like to see due to this extremely difficult environment.

While the tough conditions remain, your Board of Directors continue 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 or East Ivanhoe **Community Bank**[®] branches.

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

While it has been another difficult year, the company has made a profit of \$116,575 after provision for income tax. This result has been reached after deducting our annual allocation toward community grants and sponsorships. This is a slight decrease in profit from the 2013/14 result of \$118,588. We also face a change in our "book" structure with a number of large loans being finalised and new loans not matching the lost income stream. We are aware of where these changes are occurring and are working hard to rebuild a strong loan book.

The result is reached after deducting our annual allocation toward community grants and sponsorships.

During the last 12 months, the number of customers at our two **Community Bank**[®] branches have continued to grow, however the gross revenue decreased from \$2.235 million to \$2.182 million, a decrease of \$52,741.

Despite a number of challenges, we believe the company is performing soundly, is governed well and provides exemplary service. We continue to be supported by Bendigo and Adelaide Bank, which provides great banking services and gives excellent support to our enterprise as respected partners in this **Community Bank**[®] company. We will continue to focus on our customers and increasing the amount of business they have with us.

Management and staff

Our team continues to be led by Senior Manager Sam Pearce at Heidelberg **Community Bank**[®] Branch with Greg Arnott, managing our East Ivanhoe **Community Bank**[®] Branch.

The Board acknowledge and appreciate the energy and enthusiasm that our 16 highly experienced staff have for the **Community Bank**[®] model and their strong commitment to our company's Vision and Values. They are a critical part of 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.

Chairman's report (continued)

As outlined in our 2014 planning session, we are pursuing the option to move into our own premises in East Ivanhoe and waiting on the Bendigo Bank's assessment of the property. If this change does occur, it will be completed by mid 2016.

While we have looked at a number of properties in Heidelberg, we have still not found anything suitable to purchase.

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. This is an ongoing role and our Marketing and Business Development Committee constantly review the most effective ways to engage with community groups.

While we have very strong relationships with a number of groups, there is still a need to increase our presence with others. The key message is that a Sponsorship requires a commitment to more business with us, ensuring there is a key understanding of the importance of supporting the bank that in turn supports them.

We have implemented systems at branch level that can maintain accurate records of the support coming to our branches from each of our sponsorship recipients.

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 **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 \$273,845.

The breakdown of this figure has been:

- \$154,145 toward sponsorships and donations
- \$119,700 towards grants to different local not-for-profit organisations

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

Once again, we are extremely proud to be a major contributor to the Banyule Community. HDCEL continues to put capital back into our community despite the ongoing difficult environment and this is testimony to the strength of the **Community Bank**[®] model and the commitment and passion of the staff and 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**[®] model 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.

HDCEL announces a dividend of 5¢ per share, fully franked and payable to all shareholders in late October 2015. This will be our 12th successive dividend allocation and hopefully reminds our shareholders of the solid investment they made while supporting their local community.

Just as shareholders have benefited from the success of our company, our total community return, including dividends, is over \$3 million since 2001. This is capital that has stayed in our community because of your generous support for our **Community Bank**[®] branches.

Chairman's report (continued)

The Board of Directors join me in encouraging those shareholders who are not yet banking with the East Ivanhoe or Heidelberg **Community Bank**[®] branches that you consider doing so. I would like to take this opportunity to ask shareholders to consider making an appointment with one of our Branch Managers who will be only too happy to discuss the broad range of banking products we have available including loans, insurance and financial planning

Board of Directors

As Chairman of the HDCEL, I continue to be supported by diligent, conscientious and community minded fellow Directors and both Carly Kluge and Pam Tremlett continue to be a key part of our success.

Paul Gittings has decided to retire from the Board after seven years as a Director. Paul was a dynamic member of the Board with an incredible knowledge of the Ivanhoe area and a passion for the community. We wish Paul all the best in retirement.

If there are any shareholders that may be interested in being a Director on this very dynamic Board, please feel free to contact me.

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

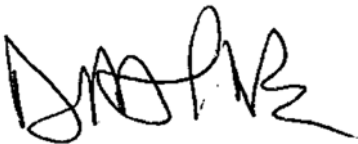
- Human Resource
- Audit & Governance
- Marketing and Business Development
- Property.

We continue to offer professional development for our Directors via training seminars and workshops including the National and the State **Community Bank**[®] Conferences held in Darwin and Melbourne. Chairs from other Melbourne based **Community Bank**[®] company Boards meet regularly to discuss issues and approaches to community engagement.

Nan Caple, who holds the position of Deputy Chair, continues to give great support to our company and is a major driver of Youth Foundation, our major community initiative. She took this initiative to the National Conference in Bendigo in September and discussed involvement from other community companies.

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 10 November 2015 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

Manager's report

For year ending 30 June 2015

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

Bigger than a bank!

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

The strength of our **Community Bank®** company 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 \$273,845 in community contributions to 64 local community groups for the year
- Heidelberg **Community Bank®** Branch reached in excess of \$140 million in banking business in under six 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 \$180 million
- Our combined book now exceeds \$320 million in banking business – Growth of approximately \$20 million in the past 12 months
- Over \$2.34 million in community contributions since opening the doors back in 2001.

I would like to thank the following:

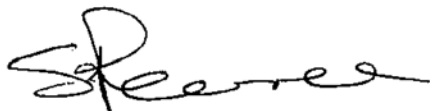
- Our Directors who have provided wonderful support to our team and continue to commit their time and efforts into impacting our community
- Our staff at both branches who continue to set the highest level of service to our customer base and community groups. A special mention goes to one of our long-standing staff, Amy, who this year chose to re-locate interstate. Her great work was appreciated by the team at Heidelberg
- Our shareholders who continue to back this wonderful **Community Bank®** company enterprise and without whom we wouldn't exist
- Our partner, Bendigo and Adelaide Bank, who continue to support us as we seek to grow into the future in partnership with them and the community.

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

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

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

East Ivanhoe 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 2015

In the 2015 financial year, the **Community Bank**[®] network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**[®] model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**[®] network, undertook a comprehensive review of the **Community Bank**[®] model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**[®] network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**[®] development, the **Community Bank**[®] model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**[®] branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**[®] Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**[®] model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**[®] branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**[®] network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**[®] Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**[®] (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**[®] branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**[®] scholarship.

Bendigo and Adelaide Bank report (continued)

Interest in the **Community Bank**[®] model remains strong, with 20 **Community Bank**[®] sites currently in development and a further six **Community Bank**[®] branches expected to open nationally during 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 support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**[®] network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**[®] branches – 310
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**[®] partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**[®] partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**[®] company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

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 27 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 a senior teaching position at a local school and has considerable experience in the education field. She has many ties with community groups and is an Ivanhoe Sea Scouts Cub Leader and former Vice president of Hockey Victoria.

Sub Committee member: Marketing and Business Development

Interest in shares: 3,950

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

Directors' report (continued)

Directors (continued)

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. Brian has lived locally in Eaglemont for fifteen years.

Sub Committee member: Audit and Governance, Human Resources (Chair)

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, a Bendigo Bank special project.

Interest in shares: Nil

Geva Maria Murano

Independent Non-executive director

Retired Lawyer

Geva holds a Bachelor of Laws from The University of Melbourne and an Associate Diploma in Business from RMIT University. Her main areas of practice were retail lending and property. She has held positions on Committees of Management within local community organisations which also included being on the Committee of Management at Community Information Victoria. She is currently on the Committee of Management of the Eaglemont Neighbourhood Conservation Association and on the Ladies Committee at the Assisi Centre. Geva is committed to supporting the community.

Sub Committee member: Audit and Governance

Interest in shares: 2,000

Directors' report (continued)

Directors (continued)

Lynne Patricia Johnson

Independent Non-executive director

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

Paul Anthony Gittings

Independent Non-executive director (Resigned 20 May 2015)

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 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 financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating results

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

Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
116,575	118,588

Directors' report (continued)

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 continuing challenging economic environment the company has delivered similar revenue compared to the 2014 financial year, while at the same time costs have been well controlled. 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.

Given that the profit has been similar to 2014, the company has maintained its substantial community investments in grants and sponsorships to similar levels as in 2013/14 in line with its community objectives.

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 is in a strong cash position and has cash holdings well in excess of the Franchise obligations. This 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 sufficient liquidity to meet its ongoing commitments.

Discussion of Business Strategies

The Board is currently 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.

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.

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.

Directors' report (continued)

Remuneration Report

Remuneration Policy

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

Key Management Personnel Remuneration Policy

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

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

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Employment agreements have been entered into with key management personnel, 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.

Remuneration Structure

All directors are independent non-executive directors and are eligible to be paid directors' fees after a qualifying period as disclosed below.

Non-executive director remuneration policy:

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

Fees for non-executive directors are not linked to the performance of the company.

Performance based remuneration

The key performance indicators (KPIs) are set annually in 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 lending and deposit growth and profit. 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 reviewed 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.

Directors' report (continued)

Remuneration Report (continued)

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 company, as well as the share prices at the end of the respective financial years. Other than a modest decline in revenue in 2015, analysis of the actual figures shows sustained revenue, payments to community groups have been maintained as well as consistent 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.

	2015	2014	2013	2012	2011	2010	2009	2008
Revenue	2,182,225	2,234,966	2,453,930	2,131,142	1,928,462	1,503,807	1,155,436	1,125,559
Net profit/(loss)	116,575	118,588	295,074	126,809	5,222	(19,366)	84,834	194,740
Share price at year end	0.85	0.85	0.85	0.80	0.80	0.80	1.00	1.18
Net dividend paid	137,903	137,903	137,903	114,919	68,952	45,967	-	124,166

Directors' Fees

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	\$
David John Mayne	5,000
Russell James Hutchins	5,000
Evelyn Maree Stagg	-
Nancy Louise Caple	3,000
Brian Thomas Simpson	2,250
Graham Peter Norman	5,000
Janette Marie Corcoran	2,250
Geva Maria Murano	1,500
Lynne Patricia Johnson	1,500
Paul Anthony Gittings (Resigned 20 May 2015)	2,500
	25,500

Directors' report (continued)

Remuneration Report (continued)

Directors' Fees (continued)

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 2015

No options have been issued as part of remuneration for the year ended 30 June 2015.

Employment Contracts of directors

There are no employment contracts for directors.

Transactions with directors

	\$
So Swish (Nan Caple's business), provided gifts to the staff of Heidelberg District Community Enterprises Limited during the period at market price	1,000

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
Graham Peter Norman	38,930	-	38,930
Russell James Hutchins	13,000	-	13,000
Brian Thomas Simpson	10,000	-	10,000
Janette Marie Corcoran	-	-	-
Geva Maria Murano	2,000	-	2,000
Lynne Patricia Johnson	8,600	-	8,600
Paul Anthony Gittings (Resigned 20 May 2015)	60,000	-	60,000

Dividends

	Year ended 30 June 2015	
	Cents	\$
Dividends paid in the year	6	137,903

Directors' report (continued)

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	9	-	-	-	-	9	7	1	1
Nancy Louise Caple	10	9	-	-	6	6	9	8	-	-
Evelyn Stagg	10	9	-	-	-	-	9	7	-	-
Graham Peter Norman	10	8	5	5	6	6	-	-	5	5
Russell James Hutchins	10	9	5	5	-	-	-	-	-	-
Brian Thomas Simpson*	7	5	4	4	5	5	-	-	-	-
Janette Marie Corcoran*	6	2	-	-	-	-	-	-	-	-
Geva Maria Murano	10	9	5	4	-	-	-	-	-	-
Lynne Patricia Johnson	10	9	-	-	-	-	9	9	-	-
Paul Anthony Gittings* (Resigned 20 May 2015)	8	5	-	-	-	-	6	4	4	4

*Denotes approved leave of absence for a period of time

A - Eligible to attend

B - Number attended

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, 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 17.

Signed in accordance with a resolution of the board of directors at East Ivanhoe, Victoria on 4 September 2015.



Russell James Hutchins,
Company Secretary

Auditor's independence declaration



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, for my audit for the year ended 30 June 2015 there have been no contraventions of:

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

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 4 September 2015

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

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	2,182,225	2,234,966
Employee benefits expense		(860,031)	(792,066)
Charitable donations, sponsorship, advertising and promotion		(395,837)	(528,451)
Occupancy and associated costs		(275,290)	(263,175)
Systems costs		(125,135)	(129,961)
Depreciation and amortisation expense	5	(73,296)	(76,201)
Finance costs	5	(48)	(47)
General administration expenses		(284,909)	(271,527)
Profit before income tax expense		167,679	173,538
Income tax expense	6	(51,104)	(54,950)
Profit after income tax expense		116,575	118,588
Total comprehensive income for the year		116,575	118,588
Earnings per share for profit attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	25	5.07	5.16

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	593,896	580,679
Trade and other receivables	8	169,206	192,489
Current tax asset	11	808	-
Total Current Assets		763,910	773,168
Non-Current Assets			
Property, plant and equipment	9	1,392,654	1,438,138
Intangible assets	10	67,868	24,843
Deferred tax asset	11	31,883	23,376
Financial assets	12	10,000	10,000
Total Non-Current Assets		1,502,405	1,496,357
Total Assets		2,266,315	2,269,525
LIABILITIES			
Current Liabilities			
Trade and other payables	13	67,226	52,696
Current tax liabilities	11	-	23,164
Borrowings	14	912	864
Provisions	15	81,493	58,956
Total Current Liabilities		149,631	135,680
Non-Current Liabilities			
Provisions	15	29,664	25,497
Total Non-Current Liabilities		29,664	25,497
Total Liabilities		179,295	161,177
Net Assets		2,087,020	2,108,348
Equity			
Issued capital	16	1,641,165	1,641,165
Reserves	17	72,060	72,060
Retained earnings	18	373,795	395,123
Total Equity		2,087,020	2,108,348

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Retained earnings \$	Reserves \$	Total Equity \$
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	-	(137,903)	-	(137,903)
Balance at 30 June 2014	1,641,165	395,123	72,060	2,108,348
Balance at 1 July 2014	1,641,165	395,123	72,060	2,108,348
Total comprehensive income for the year	-	116,575	-	116,575
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	-	(137,903)	-	(137,903)
Balance at 30 June 2015	1,641,165	373,795	72,060	2,087,020

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		2,407,227	2,432,889
Payments to suppliers and employees		(2,117,187)	(2,203,080)
Interest received		15,500	19,265
Income taxes paid		(83,583)	(86,442)
Net cash provided by operating activities	19	221,957	162,632
Cash flows from investing activities			
Payments for property, plant and equipment		(2,124)	(11,272)
Payments for intangible assets		(68,713)	-
Net cash provided by/(used in) investing activities		(70,837)	(11,272)
Cash flows from financing activities			
Dividends paid		(137,903)	(137,903)
Net cash provided by/(used in) financing activities		(137,903)	(137,903)
Net increase in cash held		13,217	13,457
Cash and cash equivalents at the beginning of the financial year		580,679	567,222
Cash and cash equivalents at the end of the financial year	7(a)	593,896	580,679

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

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 the relevant Bendigo and Adelaide Group entity 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 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**[®] model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**[®] network. The objective of the review was to develop a shared vision of the **Community Bank**[®] model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**[®] companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited 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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

Margin

Margin 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 and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

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

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

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%.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

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.

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- services commissions	2,113,024	2,163,531
Total revenue from operating activities	2,113,024	2,163,531

Non-operating activities:

- interest received	15,232	18,774
- rental revenue	53,969	52,661
Total revenue from non-operating activities	69,201	71,435
Total revenues from ordinary activities	2,182,225	2,234,966

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	5,805	5,924
- leasehold improvements	41,802	42,707

Amortisation of non-current assets:

- franchise agreement	4,223	4,314
- establishment fee	2,666	16,000
- franchise renewal fee	18,800	7,256
	73,296	76,201

Finance costs:

- interest paid	48	47
Bad debts	501	836

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	59,611	59,745
- Movement in deferred tax	(8,507)	(4,795)
	51,104	54,950

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	167,679	173,538
Prima facie tax on profit from ordinary activities at 30%	50,304	52,061
Add tax effect of:		
- non-deductible expenses	800	4,800
- timing difference expenses	8,507	4,795
- other deductible expenses	-	(1,911)
	59,611	59,745
Movement in deferred tax	(8,507)	(4,795)
	51,104	54,950

Note 7. Cash and cash equivalents

Cash at bank and on hand	113,646	49,576
Term deposits	480,250	531,103
	593,896	580,679

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	113,646	49,576
Term deposits	480,250	531,103
	593,896	580,679

Note 8. Trade and other receivables

Trade receivables	153,635	174,551
Prepayments	10,871	12,969
Other receivables and accruals	4,700	4,969
	169,206	192,489

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment		
Land and buildings		
Freehold land		
At independent valuation (2013)	440,000	440,000
Buildings		
At independent valuation (2013)	660,000	660,000
Less accumulated depreciation	(35,750)	(19,250)
	624,250	640,750
Leasehold improvements		
At cost	506,537	506,538
Less accumulated depreciation	(196,239)	(170,937)
	310,298	335,601
Plant and equipment		
At cost	82,753	80,629
Less accumulated depreciation	(64,647)	(58,842)
	18,106	21,787
Total written down amount	1,392,654	1,438,138
Movements in carrying amounts:		
Land		
Carrying amount at beginning	440,000	440,000
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	440,000	440,000
Buildings		
Carrying amount at beginning	640,750	657,250
Additions	-	-
Disposals	-	-
Less: depreciation expense	(16,500)	(16,500)
Carrying amount at end	624,250	640,750

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	335,600	361,807
Additions	-	-
Disposals	-	-
Less: depreciation expense	(25,302)	(26,207)
Carrying amount at end	310,298	335,600
Plant and equipment		
Carrying amount at beginning	21,788	16,439
Additions	2,123	11,273
Disposals	-	-
Less: depreciation expense	(5,805)	(5,924)
Carrying amount at end	18,106	21,788
Total written down amount	1,392,654	1,438,138

Note 10. Intangible assets

Franchise fee		
At cost	43,023	31,570
Less: accumulated amortisation	(31,357)	(26,802)
	11,666	4,768
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(67,667)
	-	2,333
Renewal processing fee		
At cost	103,542	46,282
Less: accumulated amortisation	(47,340)	(28,540)
	56,202	17,742
Total written down amount	67,868	24,843

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 11. Tax		
Current:		
Income tax payable/(refundable)	(808)	23,164
Non-Current:		
Deferred tax assets		
- accruals	1,376	301
- employee provisions	33,347	25,336
- tax losses carried forward		
	34,723	25,637
Deferred tax liability		
- accruals	1,410	1,491
- deductible prepayments	-	770
- other	1,430	-
	2,840	2,261
Net deferred tax asset	31,883	23,376
Movement in deferred tax charged to statement of comprehensive income	(8,507)	(4,795)

Note 12. Financial assets

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

Note 13. Trade and other payables

Current:		
Trade creditors	25,005	25,106
Other creditors and accruals	42,221	27,590
	67,226	52,696

Note 14. Borrowings

Current:		
Bank loans	912	864

Notes to the financial statements (continued)

Note 14. Borrowings (continued)

The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan facility that expires on 28 April 2023. \$348,586 is available for redraw as at 30 June 2015. Interest is recognised at an average rate of 5.39% (2014: 5.52%).

	2015 \$	2014 \$
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Note 15. Provisions

Current:

Provision for annual leave	43,666	26,813
Provision for long service leave	37,827	32,143
	81,493	58,956

Non-Current:

Provision for long service leave	29,664	25,497
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Note 16. Contributed equity

East Ivanhoe

1,098,386 ordinary shares fully paid (2014: 1,098,386)	473,010	473,010
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A bonus share issue on a 1.3:1 basis (620,826 shares) was issued to all existing shareholders on 17 June 2009.

Heidelberg

1,200,000 ordinary shares fully paid (2014: 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.

Notes to the financial statements (continued)

Note 16. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 206. As at the date of this report, the company had 440 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.

Notes to the financial statements (continued)

Note 16. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

	2015 \$	2014 \$
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Note 17. Reserves

Asset revaluation reserve	72,060	72,060
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Note 18. Retained earnings

Balance at the beginning of the financial year	395,123	414,438
Net profit from ordinary activities after income tax	116,575	118,588
Dividends paid or provided for	(137,903)	(137,903)
Balance at the end of the financial year	373,795	395,123

Note 19. Statement of cash flows

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

Profit from ordinary activities after income tax	116,575	118,588
Non cash items:		
- depreciation	47,607	48,631
- amortisation	25,689	27,570
Changes in assets and liabilities:		
- (increase)/decrease in receivables	23,283	(13,058)
- (increase)/decrease in other assets	(9,315)	(4,795)
- increase/(decrease) in payables	14,578	(4,294)
- increase/(decrease) in provisions	26,704	16,687
- increase/(decrease) in current tax liabilities	(23,164)	(26,697)
Net cash flows provided by operating activities	221,957	162,632

Notes to the financial statements (continued)

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.

At 30 June 2015	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 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

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: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

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.

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 21. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	190,908	194,585
- between 12 months and 5 years	374,682	540,872
- greater than 5 years	-	-
	565,590	735,457

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 \$83,268 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 2014 with current annual rent of \$121,518 plus GST.

	2015 \$	2014 \$
Note 22. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,050	4,950
- non audit services	2,700	3,240
	7,750	8,190

Note 23. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	25,500	31,125
Post-employment benefits	-	-
	25,500	31,125

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

1,000	866
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Notes to the financial statements (continued)

Note 23. Director and related party disclosures (continued)

	2015	2014
Key Management Personnel Shareholdings		
Ordinary shares fully paid	130,557	192,557

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

	2015 \$	2014 \$
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Note 24. Dividends paid or provided

a. Dividends paid during the year

Prior year proposed final		
100% (2014: 100%) franked dividend - 6 cents (2014: 6 cents) per share	137,309	137,309
The tax rate at which dividends have been franked is 30% (2014: 30%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	243,712	219,230
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(808)	23,164
- 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:	242,904	242,394
- 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	242,904	242,394

c. Reconciliation of franking account balance

Reconciliation of franking account balance as at the end of the financial year		
Opening balance	219,230	191,889
- franking credits from the payment of income tax instalments during the year	70,499	49,941
- franking credits from the payment of income tax following lodgement of income tax returns	13,084	36,501
- franking debits from the payment of fully franked dividends	(59,101)	(59,101)
Closing balance	243,712	219,230

Notes to the financial statements (continued)

Note 25. Earnings per share

		2015 \$	2014 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	116,575	118,588
		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

Notes to the financial statements (continued)

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					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	113,246	49,176	480,250	531,103	-	-	-	-	400	400	2.64	2.97
Receivables	-	-	-	-	-	-	-	-	153,635	174,551	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	912	864	-	-	-	-	-	-	5.39	5.52
Payables	-	-	-	-	-	-	-	-	25,005	25,106	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.

Notes to the financial statements (continued)

Note 30. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	5,926	5,794
Decrease in interest rate by 1%	5,926	(5,794)
Change in equity		
Increase in interest rate by 1%	5,926	5,794
Decrease in interest rate by 1%	5,926	(5,794)

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 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Russell James Hutchins,
Company Secretary

Signed on the 4th of September 2015.

Independent audit report



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 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 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 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 fair 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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Independent audit report (continued)

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 2015 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 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 4 September 2015

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 2015.

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	98	65,245
1,001 to 5,000	224	569,534
5,001 to 10,000	48	399,152
10,001 to 100,000	70	1,264,455
100,001 and over	Nil	
Total shareholders	440	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 1 vote.

There are 67 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 440.

Total number of shares is 2,298,386

Twelve largest shareholders

The following table shows the 12 largest shareholders:

Shareholder	Number of shares	Percentage of 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%
JL Knorr Pty Ltd	33,000	1.44%

NSX report (continued)

Twelve largest shareholders (continued)

Shareholder	Number of shares	Percentage of capital
Abraham Khoury	32,075	1.40%
Beryl Inkster Coombe	29,000	1.26%
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	409,720	17.83%

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 three 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.

NSX report (continued)

Five year comparative table of performance, assets and liabilities

	2015	2014	2013	2012	2011
Revenue	2,182,225	2,234,966	2,453,930	2,131,142	1,928,462
Net profit/(loss)	116,575	118,588	295,074	126,809	5,222
Total Assets	2,266,315	2,269,525	2,303,144	2,057,305	2,165,223
Total Liabilities	179,295	161,177	175,481	158,873	278,681
Total Equity	2,087,020	2,108,348	2,127,663	1,898,432	1,886,542

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.
3. Net profit declined in 2014 due to general economic conditions and adjustment to the calculation of revenue sharing by Bendigo and Adelaide Bank but net profit in 2015 has since been consistent with 2014.

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 2014/15

1st Ivanhoe Sea Scouts	Ivanhoe Girls Grammar School
3081 Angels	Ivanhoe Knights Basketball Club
Alphington Bowls Club Inc	Ivanhoe Netball Club
Amateur Repertory Company	Ivanhoe Park Croquet Club
Araluen Centre	Ivanhoe Photographic Society
Austin Health	Latrobe Golf Club
Banksia Palliative Care Services	Latrobe University Football Club Inc
Banyule City Soccer Club	Livingstone Community Centre
Banyule Community Health	Lower Plenty Cricket Club
Banyule Junior Football Club	Lower Plenty Dance Group
Banyule Primary School	Macleod Football Club
Banyule Support & Information Centre	Macleod Junior Football Club
Banyule City Council Banyule Festival	Macleod Village Traders Association
Banyule City Council - Malahang Festival	Mary Immaculate Primary School
Banyule City Council - Women in Business	Mother of God Parents Association
Eaglemont Tennis Club Inc.	Mother of God Primary School
East Ivanhoe Bowling Club	North Alphington Cricket Club
East Ivanhoe Village Business Association	Old Ivanhoe Grammarians Football Club Inc.
Elizabeth Hoffman House	Olympic Village Exodus Community
Fairfield Primary School	Open House
Heidelberg Training & Resource Centre	Parkside Junior Football Club
Heidelberg Allstars Inc	Parkside Netball Club
Heidelberg Historical Society	Rosanna Bowling Club
Heidelberg Occasional Childcare	St John's Tennis Club
Heidelberg Orchestras Inc	Streeton Park Primary School
Heidelberg Pre-School Orient Place	Uniting Church Ivanhoe
Heidelberg Scout Group	Variety Club Victoria
Heidelberg United Football Club	Viewbank Tennis Club Inc
Inner North East Community Radio	Warringal Conservation Society
Ivanhoe Amateur Football Club	West Ivanhoe Sporting Club
Ivanhoe Bowling Club Inc	Yarra Valley Hockey Club Inc
Ivanhoe Cricket Club	Youth Foundation 3081

Total – \$273,845

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
2014/15	\$40,000	\$154,145	\$194,145	\$119,700
	\$1,246,139	\$1,095,000	\$2,341,139	\$1,142,365

* 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
2014/15	6 cents	\$137,903
		\$886,876

Corporate governance statement

General community expectations, as well as regulation, have resulted in an increased level of scrutiny of boards and corporate governance. The Board of Directors and management of Heidelberg District Community Enterprise Limited are committed to both the principles of good corporate governance and its practical implementation.

Corporate practice and policies

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 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.

The Board and Board Committees

The Board is ultimately responsible for ensuring integrity, protecting shareholder interests and Bendigo and Adelaide Bank's reputation, and serving the local Heidelberg district community. At the date of this report, the Board consisted of nine 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.

Corporate governance statement (continued)

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.

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; and
- Reporting to shareholders and other stakeholders.

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