



Annual Report 2017

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 2017

This is the 17th Annual Report of Heidelberg District Community Enterprise Limited HDCEL and my fifth as Chairman.

In our 17 years of operation, we have again faced a very tough year with low interest rates and narrow margins facing all banks. Even in this environment, both branches have continued to grow in the extremely competitive environment that now exists.

While every year we have discussed tougher conditions ahead, this seems to be the “new norm”, however, the Board believes our strategy (focussing on our community) continues to be the right one for our company and our future, reinforced by our continued growth.

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 will have people feeling left out and neglected if they are not banking with either Heidelberg **Community Bank**[®] Branch or East Ivanhoe **Community Bank**[®] Branch.

Our mission

- to grow a sound and profitable banking facility for the Heidelberg, East Ivanhoe and surrounding communities
- to provide value for our shareholders, staff, customers and the community and
- to support community programs and groups by providing key benefits to them.

Current position

Although the tough conditions continue, the company has managed to gain an increased profit of \$301,362 after provision for income tax. This result has been reached after deducting our annual allocation toward community grants and sponsorships. This is an increase in profit from the 2015/16 result of \$70,236. With good increases in business and prudent cost savings, the Board believes the coming years should continue this growth trajectory.

We continue to see growth in customer numbers at both **Community Bank**[®] branches, with an increase in gross revenue from \$2.2 million to \$2.342, million an increase of \$141,477.

While challenges continue, the company continues to perform well, is well governed and provides exemplary service. Bendigo and Adelaide Bank Limited continues to provide great banking products and services and gives excellent support to our enterprise as respected partners in our **Community Bank**[®] business. The focus will remain on improving the number of products per customer to increase the amount of business they have with us.

Management and staff

Jo-Ann Downey and Greg Arnott continue to manage Heidelberg and East Ivanhoe branches with Justin Bice as our Relationship Manager. I would like to recognise the huge contribution these Managers and their staff have made to our company over the year.

The Board acknowledges and appreciates the dedication and enthusiasm and our highly experienced staff for 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 provide excellent service to our customers and to the community.

Chairman's report (continued)

Community contributions

During this 12 month period to June 2017, the East Ivanhoe and Heidelberg **Community Bank**[®] branches have supported the community with \$168,015.

The breakdown of this figure has been:-

- \$128,015 toward sponsorships and donations
- \$40,000 towards grants to different local not-for-profit organisations.

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

We continue our proud history of contributing to the Banyule Community. HDCEL continues to invest capital back into our community. This is a clear demonstration of the strength of the Bendigo Bank **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 should be extremely proud of the commitment your company has made to our local community. We want you to help us spread the word and to encourage others to:

Support the bank that supports your community.

Because of our improved position, the Board has decided to announce a dividend of 6¢ per share, fully franked and payable to all shareholders in early November 2017. This will be our 15th 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 \$3.78 million since 2001. This is capital that has stayed in our community because of your generous support for our **Community Bank**[®] branches.

The Board of Directors joins 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. Our Marketing Manager, Carly Kluge and Bookkeeper, Pam Tremlett continue to be a key part of our success.

At the end of the financial year, Graham Norman has decided to retire. Graham was one of the founders of the original East Ivanhoe company and our first Chairman. He has played an important part in our company's success, serving not only as Chairman, but also as Treasurer and on a number of committees. Graham's dedication to our company and his community is second to none and he will be sorely missed. I would like to thank Graham for his years of dedicated service and commitment to our company and wish him and his wife Pam, all the best in retirement.

Geva Murano has resigned from the Board and I would like to thank her for her commitment and her positive contribution to the governance of the company.

Lynne Johnson has also resigned from the Board and once again I would like to thank Lynne for the important part she played on the Board. Darren Pearce has resigned from the Board to pursue other work opportunities and we thank him for his short, but effective contribution.

Chairman's report (continued)

Following these retirements and resignations, Peter Drapac has joined our Board. Peter is a local businessman who will bring a wide range of skills and knowledge to our Board. We also have three people who are attending Board meetings to assess their "fit" as potential Directors.

We would still welcome any shareholders who may be interested in being a Director on this very dynamic Board to contact myself or our Company Secretary Russell Hutchins.

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

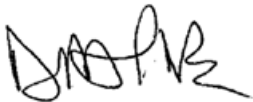
- Human Resources
- Audit and Governance
- Marketing and Business Development
- Property.

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 Bendigo and Melbourne. Chairs from other Melbourne based **Community Bank**[®] company Boards also 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. Nan has recently been elected to a position on the **Community Bank**[®] National Council and I would like to personally congratulate her on this appointment. Her strong Community focus and knowledge of the **Community Bank**[®] network will be a great asset, across the network.

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 14 November 2017 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

Managers' report

For year ending 30 June 2017

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

Our branches have finished another year of trading and further increased the profit of our company with both branches continuing to make strong contributions.

Jo-Ann Downey has now been managing the Heidelberg **Community Bank**[®] Branch for well over 12 months, Greg has managed East Ivanhoe **Community Bank**[®] Branch for over seven years and Justin Bice has been the Relationship Manager for over 18 months. Our combined skills and experience make us a cohesive and effective management team for developing new business throughout our community.

We currently operate in a tough banking environment with new challenges arising daily. This is where our strong links with the community will hold us in good stead. We ask that all shareholders consider us when making their banking choices or talking to friends and family about banking. The more advocates we have, the more successful we will be.

We would like to thank all staff at both branches as well as our support staff for their hard work over the last 12 months. All staff have contributed to our growth and are constantly volunteering their own time to attend community events. Staff have adapted to the changing environment and continue to offer a great service to all of our customers.

We would like to thank our Board of Directors who continue to contribute their time and effort to make this company the best it can be. They approach their roles in a professional manner and are constantly striving to increase the profit of the company and serve the community in the best way possible.

Bendigo and Adelaide Bank Limited continues to be a strong partner who supports us with the running of our business. We look forward to continuing this partnership.

We would like to offer a big thank you to all shareholders who supported us in the early days by backing the company. We hope you are all proud of the work that has been done over the years and are seeing the results in your community.



Greg Arnott
Branch Manager
East Ivanhoe



Jo-Ann Downey
Branch Manager
Heidelberg



Justin Bice
Relationship Manager

Community engagements



1. The East Ivanhoe **Community Bank**® Branch team.
2. Director Lyndy Stagg presents the Ivanhoe Sea Scouts with a defibrillator for their community hall.
3. One of the greatest joys of working for a **Community Bank**® branch is the opportunity to present grants to local organisations, with team member Kerry presenting 3081 Angels with a cheque for \$5,000 for essential supplies for new mothers.
4. Players from the Ivanhoe Knights Basketball Club collect their **Community Bank**® company drink bottle at their annual Presentation Night.
5. Our team with guest speaker Mia Freedman at the 2016 Women in Business Lunch.
6. Nan and Marnie present the Olympic Village Exodus community with a cheque for \$10,000 to rejuvenate the Men's Shed Backyard.
7. The Heidelberg **Community Bank**® Branch team.
8. A team from the Emergency Department at Austin Health receive their cheque from team member Tayla as they embark on the Murray to Moyne bikeride to raise funds for heart monitors for the Austin ED.
9. Director John Nelson shows his support at the Ivanhoe Bowling Club annual MND fundraiser.
10. This year marked the end of an era for Heidelberg District Community Enterprise Limited, with the retirement of our founding father Graham Norman, who first brought the concept of the **Community Bank**® model to the locals in East Ivanhoe. Thank you Graham for all of your efforts in building this wonderful social enterprise that has already contributed over \$3 million back to our community.
11. East Ivanhoe **Community Bank**® Branch team member Sylvia Watson celebrated 15 years of service with the branch, receiving flowers from Julie and Adam.
12. East Ivanhoe Branch Manager Greg Arnott joins the team from Araluen as they open their new café, aptly named "Chancez".
13. The Marcellin College Sheagles celebrate their Lightning Premiership Victory.



East Ivanhoe and Heidelberg
Community Bank® branches

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**[®] branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**[®] funded centres.
- Continue their education thanks to a **Community Bank**[®] scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**[®] grant.
- Reap the environmental benefits of **Community Bank**[®] funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**[®] branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**[®] model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**[®] model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**[®] company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**[®] branches would be just another bank.



Robert Musgrove
Executive Engagement Innovation

Directors' report

For the financial year ended 30 June 2017

Your Directors submit the financial statements of the Company for the financial year ended 30 June 2017.

Directors

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

David John Mayne

Chairman and Independent Non-executive Director

Infrastructure Consultant

David worked in the communication industry for over 35 years, holding positions in engineering, sales & 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 in Infrastructure. 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.

Committee member: Marketing and Business Development, Property

Interest in shares: 32,000

Nancy Louise Caple

Deputy Chair and Independent Non-executive Director

Company Secretary

Nancy established and operated So Swish (retail business) from 1989 – 2016. She was instrumental in establishing the East Ivanhoe Community branch in 2000. She holds a Bachelor of Education and taught in Secondary Physical Education – Outdoor Education prior to 1989. She currently holds an elected position on the **Community Bank®** National Council, representing Melbourne Metro branches. She is also the Company Secretary for the family Management Consulting business and Chair of the Sycamore Tree Uniting Church Coffee Shop Management committee.

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

Interest in shares: 22,077

Evelyn Stagg

Independent Non-executive Director

Teacher

Evelyn is currently a Trainer for Educational Support RTO Diversitat Training. She holds a Certificate 1V in Training and Assessment, Diploma in Workplace Health and Safety, Graduate Diploma in Educational Administration and an Advanced Certificate in The Art and Science of Movement. She is currently a Committee member of Coerwull Inc. and previously a Director of the Coerwull Centre for Leadership and Service. She was also the Banyule Volunteer of the Year in 2014.

Committee member: Marketing and Business Development

Interest in shares: 3,950

Directors' report (continued)

Directors (continued)

Russell James Hutchins

Company 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.

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 organizations and lives locally in Eaglemont.

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

Interest in shares: 10,000

John Kenneth Nelson

Independent Non-executive Director

Retired Accountant

John served on the Board from 2007 to 2012, and after a break returned in December 2015. John is a qualified Chartered Accountant, and has over 35 years experience in industry as an accountant. He retired from full-time work 10 years ago. He has extensive corporate secretariat knowledge including previously performing the role of Company Secretary for an ASX listed Company. John has lived in the local area all of his life.

Committee member: Human Resources

Interest in shares: 1,533

Jason Gerard Dwyer

Independent Non-executive Director (Appointed 30 January 2017)

Senior Management

Jason works for Bendigo Bank across many roles in Business finance in key leadership roles across Debtor Finance, Customer Experience, Equipment finance. He is the Senior Manager SME & Micro business, responsible for the Bank's strategy for Small Business. He has held executive IT leadership roles, and is a CPA qualified accountant with 10 years experience in public practice and a strong background in Information Systems. Jason holds Bachelor degrees in Arts and Commerce from La Trobe University, and a Graduate Diploma in Info Systems, and has lived in Heidelberg for 15 years. Jason was involved in the steering committee that set up the Heidelberg **Community Bank**[®] Branch.

Committee member: Marketing and Business Development

Interest in shares: 5000

Peter Richard Drapac

Independent Non-executive Director (Appointed 26 May 2017)

Director/Owner of The National Business Institute of Australia

Peter has lived in the Heidelberg/Ivanhoe area most of his life, started his career as a teacher and has gone on to own and run several businesses in health, retail, manufacturing, financial services and currently education. Peter holds a Bachelor of Applied Science, Diploma of Auditing, Diploma of Education, and Bachelor of Business (Finance).

Committee member: Property

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Peter Panayiotis Panatsos

Independent Non-executive Director (Appointed 10 July 2017)

Corporate Development

Peter works in Corporate Development focusing on organic and acquisition growth for mid to large sized companies. He specialises in the Healthcare and Financial Services sector. He has worked in Corporate Strategy, Mergers and Acquisitions, Due Diligence and Audit. He holds a Bachelor of Commerce, Bachelor of Finance, Graduate Diploma in Applied Finance and is a Chartered Accountant. He has recently moved to Ivanhoe and is committed to supporting the community.

Committee member: Nil

Interest in shares: Nil

Anne Marie Rogan

Independent Non-executive Director (Appointed 10 July 2017)

Education Manager

Anne is a Senior Manager at Education Services Australia, managing large national education projects across government, independent and state schools. Anne worked previously as a lecturer at the University of Melbourne for 18 years.

Committee member: Nil

Interest in shares: Nil

Graham Peter Norman

Treasurer and Independent Non-executive Director (Resigned 30 June 2017)

Chartered Accountant

Graham has practiced as a Chartered Accountant in Ivanhoe for the past 37 years. He is a member of the Rotary Club of Ivanhoe and has a keen interest in local business and community development.

Committee member: Audit and Governance, Property (Chair)

Interest in shares: 38,930

Lynne Patricia Johnson

Independent Non-executive Director (Resigned 28 May 2017)

Sonographer - Austin Health

Lynne has worked in Medical Imaging for over 30 years, and at Austin Health Radiology for 26 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.

Committee member: Marketing and Business Development

Interest in shares: 5,600

Darren Mark Pearce

Independent Non-executive Director (Appointed 30 January 2017, Resigned 28 February 2017)

Real Estate Agent

Darren resigned shortly after his appointment due to changed employment circumstances.

Committee member: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Geva Maria Murano

Independent Non-executive Director (Resigned 8 November 2016)

Retired Lawyer

Geva holds a Bachelor of Laws Degree from the University of Melbourne and an Associate Diploma in Business from the 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

Committee member: Audit and Governance

Interest in shares: 2,000

Richard Neville Deery

Independent Non-executive Director (Resigned 3 August 2016)

Director

Richard is currently a Managing Director. His previous roles have included operations management, business development, operating budgets and negotiations.

Sub Committee member: Marketing and Business Development

Interest in shares: Nil

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

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

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

Russell has more than 30 years commercial experience in the banking and information technology industries and holds degrees in both Science and Business.

Principal Activities

The principal activities of the Company during the 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

For 2016/2017 year operations have exceeded expectations due mainly to a 6% improvement in revenue, vigorous cost management and realising the benefit of the prepayment of grants in 2016. The profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
301,362	70,236

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 increased profit compared to the 2015-16 financial year. This result continues to be driven by the strong and consistent marketing efforts by staff and Directors to continue to promote the **Community Bank®** model to grow the business through relationships with community groups and general retail and commercial banking services in the Banyule district.

Financial Position

The strength of the Balance Sheet has been improved with Retained Earnings significantly increased from 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 continually reviews 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. The Marketing and Business Development Committee works closely with the Company's Community Liaison Officer and the three managers on winning new business using a variety of strategies to leverage the Company's customer and 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.

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 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, management and shareholders.

Directors' report (continued)

Remuneration report (continued)

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 manager and is based predominantly on the forecast growth of the Company's profits. All Incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of manager and reward them for performance results leading to long-term growth of the Company.

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 may choose 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 incentives 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, before the KPIs are set for the following year.

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

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal alignment between shareholders, Directors and managers. Performance-based incentive is based on key performance indicators as disclosed above.

Directors' report (continued)

Remuneration report (continued)

Company performance, shareholder wealth and Directors' and management 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. It should be noted that, other than a modest decline in revenue in 2014 and 2015, analysis of the actual figures shows sustained revenue and payments to community groups have been maintained as well as consistent returns to shareholders. 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. 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 consistency in shareholder wealth over the past 8 years.

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$	2010 \$
Revenue	2,342,173	2,200,696	2,182,225	2,234,966	2,453,930	2,131,142	1,928,462	1,503,807
Net profit/(loss)	301,362	70,236	116,575	118,588	295,074	126,809	5,222	(19,366)
Share price at year end	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80
Net dividend paid	114,919	114,919	137,903	137,903	137,903	114,919	68,952	45,967

Directors' remuneration

For the year ended 30 June 2017 the directors received total remuneration including superannuation, as follows:

	\$
David John Mayne	5,000
Nancy Louise Caple	3,000
Evelyn Stagg	3,000
Russell James Hutchins	5,000
Brian Thomas Simpson	3,000
John Kenneth Nelson	3,000
Jason Gerard Dwyer (Appointed 30 January 2017)	-
Peter Richard Drapac (Appointed 26 May 2017)	-
Peter Panayiotis Panatsos (Appointed 10 July 2017)	-
Anne Marie Rogan (Appointed 10 July 2017)	-
Graham Peter Norman (Resigned 30 June 2017)	5,000
Lynne Patricia Johnson (Resigned 28 May 2017)	2,500
Darren Mark Pearce (Appointed 30 January 2017, Resigned 28 February 2017)	-
Geva Maria Murano (Resigned 8 November 2016)	1,000
Richard Neville Deery (Resigned 3 August 2016)	-
	30,500

Fees paid 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.

Directors' report (continued)

Remuneration report (continued)

Options issued as part of remuneration for the year ended 30 June 2017

No options have been issued as part of remuneration for the year ended 30 June 2017.

Employment Contracts of Directors

There are no employment contracts for Directors.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
David John Mayne	32,000	-	32,000
Nancy Louise Caple	22,077	-	22,077
Evelyn Stagg	3,950	-	3,950
Russell James Hutchins	13,000	-	13,000
Brian Thomas Simpson	10,000	-	10,000
John Kenneth Nelson	1,533	-	1,533
Jason Gerard Dwyer (Appointed 30 January 2017)	5,000	-	5,000
Peter Richard Drapac (Appointed 26 May 2017)	-	-	-
Peter Panayiotis Panatsos (Appointed 10 July 2017)	-	-	-
Anne Marie Rogan (Appointed 10 July 2017)	-	-	-
Graham Peter Norman (Resigned 30 June 2017)	38,930	-	38,930
Lynne Patricia Johnson (Resigned 28 May 2017)	5,600	-	5,600
Darren Mark Pearce (Appointed 30 January 2017, Resigned 28 February 2017)	-	-	-
Geva Maria Murano (Resigned 8 November 2016)	2,000	-	2,000
Richard Neville Deery (Resigned 3 August 2016)	-	-	-

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	5	114,919

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Directors' report (continued)

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 management 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	11	10	-	-	-	-	11	7	6	6
Nancy Louise Caple	11	10	-	-	7	7	11	11	-	-
Evelyn Stagg	11	6	-	-	-	-	11	9	-	-
Russell James Hutchins	11	9	5	5	-	-	-	-	-	-
Brian Thomas Simpson	11	8	5	3	7	7	-	-	-	-
John Kenneth Nelson	11	9	-	-	7	7	-	-	-	-
Jason Gerard Dwyer ¹	6	5	-	-	-	-	5	3	-	-
Peter Richard Drapac ²	2	2	-	-	-	-	-	-	-	-
Peter Panayiotis Panatsos ³	-	-	-	-	-	-	-	-	-	-
Anne Marie Rogan ³	-	-	-	-	-	-	-	-	-	-
Graham Peter Norman ⁴	11	10	5	5	-	-	-	-	6	6
Lynne Patricia Johnson ⁵	9	7	-	-	-	-	10	5	-	-
Darren Mark Pearce ⁶	1	-	-	-	-	-	-	-	-	-
Geva Maria Murano ⁷	4	2	2	1	-	-	-	-	-	-
Richard Neville Deery ⁸	1	1	-	-	-	-	2	1	-	-

A - eligible to attend

B - number attended

1 - (Appointed 30 January 2017)

2 - (Appointed 26 May 2017)

3 - (Appointed 10 July 2017)

4 - (Resigned 30 June 2017)

5 - (Resigned 28 May 2017)

6 - (Appointed 30 January 2017, Resigned 28 February 2017)

7 - (Resigned 8 November 2016)

8 - (Resigned 3 August 2016)

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.

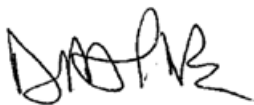
The Directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 19.

Signed in accordance with a resolution of the board of Directors at East Ivanhoe, Victoria on 28 August 2017.



David John Mayne,
Chairman

Auditor's independence declaration



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of Heidelberg District Community Enterprise Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 28 August 2017

Graeme Stewart
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	2,342,173	2,200,696
Employee benefits expense		(865,972)	(861,385)
Charitable donations, sponsorship, advertising and promotion		(323,282)	(474,355)
Occupancy and associated costs		(286,102)	(287,628)
Systems costs		(100,017)	(118,634)
Depreciation and amortisation expense	5	(66,854)	(71,744)
Finance costs	5	(52)	(48)
General administration expenses		(284,222)	(283,186)
Profit before income tax expense		415,672	103,716
Income tax expense	6	(114,310)	(33,480)
Profit after income tax expense		301,362	70,236
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		301,362	70,236
Earnings per share		¢	¢
Basic earnings per share	25	13.11	3.06

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	866,328	535,896
Trade and other receivables	8	209,040	194,247
Current tax asset	11	-	16,607
Total Current Assets		1,075,368	746,750
Non-Current Assets			
Property, plant and equipment	9	1,327,981	1,349,202
Intangible assets	10	53,706	79,130
Deferred tax asset	11	19,075	26,013
Financial assets	12	-	10,000
Total Non-Current Assets		1,400,762	1,464,345
Total Assets		2,476,130	2,211,095
LIABILITIES			
Current Liabilities			
Trade and other payables	13	68,633	65,897
Current tax liabilities	11	68,800	-
Borrowings	14	1,012	960
Provisions	15	103,182	73,320
Total Current Liabilities		241,627	140,177
Non-Current Liabilities			
Provisions	15	5,723	28,581
Total Non-Current Liabilities		5,723	28,581
Total Liabilities		247,350	168,758
Net Assets		2,228,780	2,042,337
Equity			
Issued capital	16	1,641,165	1,641,165
Reserves	17	72,060	72,060
Retained earnings	18	515,555	329,112
Total Equity		2,228,780	2,042,337

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	1,641,165	373,795	72,060
Total comprehensive income for the year	-	70,236	-
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(114,919)	-
Balance at 30 June 2016	1,641,165	329,112	72,060
Balance at 1 July 2016	1,641,165	329,112	72,060
Total comprehensive income for the year	-	301,362	-
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(114,919)	-
Balance at 30 June 2017	1,641,165	515,555	72,060

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		2,534,064	2,396,785
Payments to suppliers and employees		(2,067,131)	(2,270,410)
Interest received		10,592	13,507
Income taxes paid		(21,965)	(43,409)
Net cash provided by operating activities	19	455,560	96,473
Cash flows from investing activities			
Payments for property, plant and equipment		(20,209)	(3,339)
Proceeds from financial assets		10,000	-
Payments for intangible assets		-	(36,215)
Net cash used in investing activities		(10,209)	(39,554)
Cash flows from financing activities			
Dividends paid		(114,919)	(114,919)
Net cash used in financing activities		(114,919)	(114,919)
Net increase/(decrease) in cash held		330,432	(58,000)
Cash and cash equivalents at the beginning of the financial year		535,896	593,896
Cash and cash equivalents at the end of the financial year	7(a)	866,328	535,896

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

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

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The Company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the Company. This revised standard will require the branch leases to be capitalised.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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 Bank Limited 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.

b) Revenue

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

Revenue calculation

The franchise agreement 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the Company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the Board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

c) Income tax

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company entity intends to settle its tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- buildings 40 years
- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicle 3 - 5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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 Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

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

Impairment of assets

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

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

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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.

	2017 \$	2016 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- gross margin	1,959,500	1,494,931
- services commissions	129,346	406,971
- fee income	150,055	145,150
- market development fund	26,250	100,000
Total revenue from operating activities	2,265,151	2,147,052

Non-operating activities:

- interest received	11,508	12,700
- rental revenue	65,514	40,944
Total revenue from non-operating activities	77,022	53,644
Total revenues from ordinary activities	2,342,173	2,200,696

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	5,415	5,915
- leasehold improvements	19,257	24,376
- buildings	16,500	16,500
- motor vehicle	258	-

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 5. Expenses (continued)			
Amortisation of non-current assets:			
- franchise agreement		4,144	5,015
- franchise renewal fee		21,280	19,938
		66,854	71,744
Finance costs:			
- interest paid		52	48
Bad debts		237	85

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax		107,372	27,610
- Movement in deferred tax		6,938	3,505
- Adjustment to deferred tax to reflect change to tax rate in future periods		-	2,365
		114,310	33,480

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

Operating profit		415,672	103,716
Prima facie tax on profit from ordinary activities at 27.5% (2016: 28.5%)		114,310	31,115
Add tax effect of:			
- timing difference expenses		(6,938)	(3,505)
		107,372	27,610
Movement in deferred tax	11	6,938	3,505
Adjustment to deferred tax to reflect change of tax rate in future periods		-	2,365
		114,310	33,480

Note 7. Cash and cash equivalents

Cash at bank and on hand		336,078	155,646
Term deposits		530,250	380,250
		866,328	535,896

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 7. Cash and cash equivalents (continued)

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	336,078	155,646
Term deposits	530,250	380,250
	866,328	535,896

Note 8. Trade and other receivables

Trade receivables	188,649	164,764
Prepayments	15,582	25,590
Other receivables and accruals	4,809	3,893
	209,040	194,247

Note 9. Property, plant and equipment

Land and buildings

Freehold land

At cost	440,000	440,000
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Buildings

At cost	660,000	660,000
Less accumulated depreciation	(68,750)	(52,250)
	591,250	607,750

Leasehold improvements

At cost	506,537	506,537
Less accumulated depreciation	(239,872)	(220,615)
	266,665	285,922

Plant and equipment

At cost	89,505	86,092
Less accumulated depreciation	(75,977)	(70,562)
	13,528	15,530

Motor Vehicle

At cost	16,796	-
Less accumulated depreciation	(258)	-
	16,538	-

Total written down amount	1,327,981	1,349,202
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Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment (continued)		
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	607,750	624,250
Additions	-	-
Disposals	-	-
Less: depreciation expense	(16,500)	(16,500)
Carrying amount at end	591,250	607,750
Leasehold improvements		
Carrying amount at beginning	285,922	310,298
Additions	-	-
Disposals	-	-
Less: depreciation expense	(19,257)	(24,376)
Carrying amount at end	266,665	285,922
Plant and equipment		
Carrying amount at beginning	15,530	18,106
Additions	3,413	3,339
Disposals	-	-
Less: depreciation expense	(5,415)	(5,915)
Carrying amount at end	13,528	15,530
Motor Vehicle		
Carrying amount at beginning	-	-
Additions	16,796	-
Disposals	-	-
Less: depreciation expense	(258)	-
Carrying amount at end	16,538	-
Total written down amount	1,327,981	1,349,202

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets		
Franchise fee		
At cost	50,267	79,238
Less: accumulated amortisation	(40,517)	(36,373)
	9,750	42,865
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(70,000)
	-	-
Renewal processing fee		
At cost	132,513	103,542
Less: accumulated amortisation	(88,557)	(67,277)
	43,956	36,265
Total written down amount	53,706	79,130

Note 11. Tax

Current:

Income tax payable/(refundable)	68,800	(16,607)
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Non-Current:

Deferred tax assets		
- accruals	976	976
- employee provisions	29,949	28,023
	30,925	28,999
Deferred tax liability		
- accruals	1,322	1,070
- property, plant and equipment	10,528	1,916
	11,850	2,986
Net deferred tax asset	19,075	26,013
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	6,938	5,870

Note 12. Financial assets

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 13. Trade and other payables

Current:

Trade creditors	15,631	21,199
Other creditors and accruals	53,002	44,698
	68,633	65,897

Note 14. Borrowings

Current:

Bank loans	1,012	960
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The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan facility that expires on 28 April 2023. \$201,973 is available for redraw as at 30 June 2017. Interest is recognised at an average rate of 5.26% (2016: 5.12%).

Note 15. Provisions

Current:

Provision for annual leave	34,292	36,412
Provision for long service leave	68,890	36,908
	103,182	73,320

Non-Current:

Provision for long service leave	5,723	28,581
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Note 16. Contributed equity

East Ivanhoe

1,098,386 ordinary shares fully paid (2016: 1,098,386)	473,010	473,010
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A bonus share issues 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 (2016: 1,200,000)	1,200,000	1,200,000
Less: equity raising expenses	(31,845)	(31,845)
	1,641,165	1,641,165

Notes to the financial statements (continued)

Note 16. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

Notes to the financial statements (continued)

Note 16. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

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

	2017 \$	2016 \$
Note 17. Reserves		
Asset revaluation reserve	72,060	72,060

Note 18. Retained earnings

Balance at the beginning of the financial year	329,112	373,795
Net profit from ordinary activities after income tax	301,362	70,236
Dividends paid or provided for	(114,919)	(114,919)
Balance at the end of the financial year	515,555	329,112

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	301,362	70,236
Non cash items:		
- depreciation	41,430	46,791
- amortisation	25,424	24,953

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 19. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,793)	(25,041)
- (increase)/decrease in other assets	23,545	(9,929)
- increase/(decrease) in payables	2,788	(1,281)
- increase/(decrease) in provisions	7,004	(9,256)
- increase/(decrease) in current tax liabilities	68,800	-
Net cash flows provided by operating activities	455,560	96,473

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 2017	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 2016	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

Notes to the financial statements (continued)

Note 20. Fair value measurement (continued)

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.

The freehold land and buildings were independently valued at 22 April 2013 by Miles Real Estate, a member of the Real Estate Institute of Victoria (REIV). Members of REIV are governed by a code of conduct and are constantly updated on the latest legislative changes.

	2017 \$	2016 \$
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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	213,315	122,856
- between 12 months and 5 years	386,600	255,950
- greater than 5 years	-	-
	599,915	378,806

The East Ivanhoe lease is a non-cancellable lease with a five-year term which ends on 1 April 2021. Rent is payable monthly.

The Heidelberg lease is a non-cancellable lease with a five-year term which ends on 1 July 2019. Rent is payable monthly.

Note 22. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	5,500	5,250
- non audit services	4,418	2,830
	9,918	8,080

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 23. Director and related party disclosures

Directors' Remuneration

Directors' Remuneration	30,500	27,000
	30,500	27,000

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

	2017	2016
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Directors' Shareholdings

Ordinary shares fully paid	87,560	129,090
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Detailed shareholding disclosures are provided in the remuneration report, included as part of the Directors' report.

	2017 \$	2016 \$
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Note 24. Dividends paid or provided

a. Dividends paid during the year

Prior year proposed final

100% (2016: 100%) franked dividend - 5 cents (2016: 5 cents) per share	114,919	114,919
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The tax rate at which dividends have been franked is 27.5% (2016: 30%).

b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	216,244	237,869
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	68,800	(16,607)
- 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:	285,044	221,262
- 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	285,044	221,262

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 24. Dividends paid or provided (continued)

c. Reconciliation of franking account balance

Reconciliation of franking account balance as at the end of the financial year		
Opening balance	237,869	243,712
- franking credits from the payment of income tax instalments during the year	53,785	44,217
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of income tax returns	(31,820)	(809)
- franking debits from the payment of fully franked dividends	(43,590)	(49,251)
Closing balance	216,244	237,869

Note 25. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	301,362	70,236
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,289,386	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 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

233-235 Lower Heidelberg Road
Ivanhoe East VIC 3079

Principal Place of Business

233-235 Lower Heidelberg Road
Ivanhoe East VIC 3079

164 Burgundy Street
Heidelberg VIC 3084

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					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	336,078	155,246	530,250	380,250	-	-	-	-	400	400	1.66	2.13
Receivables	-	-	-	-	-	-	-	-	188,649	164,764	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	1,012	960	-	-	-	-	-	-	5.26	5.12
Payables	-	-	-	-	-	-	-	-	15,631	21,199	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 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017 \$	2016 \$
Change in profit/(loss)		
Increase in interest rate by 1%	8,653	5,345
Decrease in interest rate by 1%	(8,653)	(5,345)
Change in equity		
Increase in interest rate by 1%	8,653	5,345
Decrease in interest rate by 1%	(8,653)	(5,345)

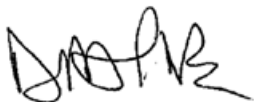
Directors' declaration

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 2017 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.



David John Mayne,
Chairman

Signed on the 28th of August 2017.

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial statements

Our opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Heidelberg District Community Enterprise Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

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

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

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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Independent audit report (continued)

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Heidelberg District Community Enterprise Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no key audit matters to disclose for the 30 June 2017 audit.

Directors' responsibility for the financial report

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

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

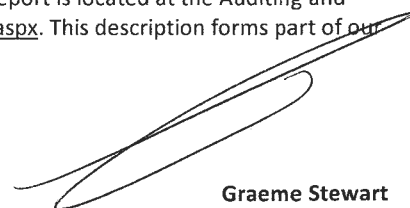
Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 28 August 2017



Graeme Stewart
Lead Auditor

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 2017.

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	101	66,545
1,001 to 5,000	223	567,234
5,001 to 10,000	48	395,152
10,001 to 100,000	68	1,269,455
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 70 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

Eleven largest shareholders

The following table shows the 11 largest shareholders:

Shareholder	Number of shares	Percentage of capital
Mrs Beryl Inkster Coombe	83,100	3.62%
Valley Maintenance Services	80,000	3.48%
Exardua Superannuation	38,930	1.69%
Tessala Pty Ltd Superannuation Fund	35,875	1.56%
Jardier Pty Ltd	35,640	1.55%
J L Knorr Pty Ltd	33,000	1.44%
Mr Abraham Khoury	32,075	1.40%
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	429,220	18.68%

NSX report (continued)

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 Victoria 3079
Phone: (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
Phone: (08) 8395 2308

Company Secretary

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

Directors' right to subscribe for equity or debt securities

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

Annexure 3

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

Five year comparative table of performance, assets and liabilities

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue	2,342,173	2,200,696	2,182,225	2,234,966	2,453,930
Net profit/(loss)	301,362	70,236	116,575	118,588	295,074
Total assets	2,476,130	2,211,095	2,266,315	2,269,525	2,303,144
Total liabilities	247,350	168,758	179,295	161,177	175,481
Total equity	2,228,780	2,042,337	2,087,020	2,108,348	2,127,633

Explanatory notes:

1. Net profit declined in 2014 due to general economic conditions and adjustment to the calculation of revenue sharing by Bendigo and Adelaide Bank Limited but net profit in 2015 was consistent with 2014.
2. Net profit in 2016 declined, due mainly to the company's commitment to its community programs by increasing its grants and sponsorship allocations, despite general continuing adverse economic conditions.
3. Net profit in 2017 has improved markedly on 2016 due mainly to an increase in revenue, rigorous cost management and realising the benefit of grant payments made in 2016.

Sponsorships and grants 2016/17

1st Ivanhoe Sea Scouts	Macleod Football Club
Alphington Bowls Club Inc	Macleod Junior Football Club
Araluen Centre	Marcellin Old Collegians Football Club
Austin Health	Mary Immaculate Parish Primary School
BANSIC	Mother of God Parents Association
Banyule City Council - Banyule Festival	North Alphington Cricket Club
Banyule City Council - Women in Business	North Heidelberg Sporting Club
Banyule City Soccer Club	Olympic Adult Education
Banyule Community Health	Olympic Village Exodus Community
Banyule Junior Football Club	Open House
Banyule Toy Library	Our Lady of Mercy College
Big Group Hug	Parkville College Project
Eaglemont Tennis Club Inc.	Parkside Netball Club
Fairfield Primary School	Preston Cricket Club
Girlfiends 4 Girlfriends	Rosanna Bowling Club
Heidelberg Allstars	Rosanna Cricket Club
Heidelberg Orchestras Inc	Rosanna Golf Links PS
Inner North East Community Radio Inc.	Rotary Club of Heidelberg
Ivanhoe Knights Basketball Club	St John's Catholic Tennis Club
Ivanhoe Netball Club	The Salt Foundation
Ivanhoe Park Croquet Club Inc	Viewbank Tennis Club Inc
Kids off the Kerb	Villa Maria Catholic Homes
Latrobe Golf Club	Warringal Conservation Society
Lower Plenty Cricket Club	Yarra Valley Hockey Club Inc
Lower Plenty Dance Group Inc	Youth Foundation 3081

Total \$206,082

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
2015/16	\$180,000	\$132,816	\$312,816	\$89,537
2016/17	\$40,000	\$128,015	\$168,015	\$78,067
	\$1,466,139	\$1,355,831	\$2,821,970	\$1,309,969

* CEF - Community Enterprise Foundation™.

** Grants distributed from contributions to CEF

Shareholder dividends paid

Financial Year	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
2015/16	5 cents	\$114,919
2016/17	5 cents	\$114,919
		\$1,116,714

Corporate governance statement

The Board of Directors and management of the company are committed to ensuring that the company is not only well managed, but also operates with the standard of ethics expected of a Community focussed organisation. As such, the Board and management are committed to both the principles of good corporate governance and its practical implementation. The Board of Directors is ultimately responsible for governance of Heidelberg District Community Enterprise Limited and ensuring that Directors, management and staff comply with the company's ethical and operational standards. General community expectations, as well as regulation, have resulted in an increased level of scrutiny of Boards and corporate governance, and Heidelberg District Community Enterprise Limited is no exception.

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 and serving the local Heidelberg district Community, while at the same time, protecting shareholder interests and Bendigo and Adelaide Bank Limited's reputation. At the date of this report, the Board consisted of 10 independent non-executive Directors. An independent non-executive Director is a Director that is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. Directors are required to attend all Board meetings unless prevented by other circumstances. To assist the Board in managing the business and achieve its objective of maintaining the highest standards of corporate governance, the Board delegates certain activities to Board Committees. Each of the Board Committees is composed exclusively of Directors. The Board Committees and their major objectives are:

Audit and Governance Committee – To ensure the accuracy of the company's financial records, to monitor and mitigate risks facing the company, and to ensure that the company complies with both its fiduciary responsibilities and its franchise obligations;

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; and

Property Committee – To deal with all matters relating to the leased branch properties and the tenanted investment properties.

Corporate governance statement (continued)

The Board meets monthly, together with management and Bendigo and Adelaide Bank Limited'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 meet monthly, bi-monthly or as required to review their respective functions.

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

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

The responsibilities of the Board include:

- Preparing the company's strategy and objectives
- Supporting the interests of the local community
- Promoting and developing the company's business interests
- Reviewing and approving the budgets and business plans prepared by management and Bendigo and Adelaide Bank Limited
- Reviewing the performance of the company against objectives
- Liaising with and reporting to Bendigo and Adelaide Bank Limited
- Ensuring that grants and sponsorships are appropriately managed
- Ensuring the effectiveness of the governance of the company
- Ensuring the adequacy of the internal controls, procedures and policies of the company
- Reporting to shareholders and other stakeholders.

East Ivanhoe **Community Bank**[®] Branch
233-235 Lower Heidelberg Road, East Ivanhoe VIC 3079
Phone: (03) 9497 5133 Fax: (03) 9497 5233
www.bendigobank.com.au/east_ivanhoe

Heidelberg **Community Bank**[®] Branch
164 Burgundy Street, Heidelberg VIC 3084
Phone: (03) 9457 2055 Fax: 03 9458 3646
www.bendigobank.com.au/heidelberg

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

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