

FORM: Half yearly/preliminary final report

Name of issuer

Heidelberg District Community Enterprise Limited

ACN or ARBN

62 095 312 744

Half yearly
(tick)

Preliminary
final (tick)

✓

Half year/financial year ended
(‘Current period’)

30 June 2019

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

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Revenue (item 1.1)	Up	1%	to	2,519
Profit (loss) for the period (item 1.9)	Down	(26)%	to	237
Profit (loss) for the period attributable to members of the parent (item 1.11)	Down	(26)%	to	237
Dividends	Current period		Previous corresponding period	
Franking rate applicable:	100%		100%	
Final dividend (preliminary final report only)(item 10.13-10.14)				
Amount per security	7¢		6¢	
Franked amount per security	7¢		6¢	
Interim dividend (Half yearly report only) (item 10.11 – 10.12)				
Amount per security	-		-	
Franked amount per security	-		-	
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Consolidated income statement *(The figures are not equity accounted)**(see note 3)**(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

	Current period	Previous corresponding period
1.1 Revenues <i>(item 7.1)</i>	2,519	2,495
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	(2,190)	(2,054)
1.3 Finance costs	-	-
1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i>	-	-
1.5 Profit (loss) before income tax	329	441
1.6 Income tax expense <i>(see note 4)</i>	(92)	(121)
1.7 Profit (loss) from continuing operations	237	320
1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i>	-	-
1.9 Profit (loss) for the period	237	320
1.10 Profit (loss) attributable to minority interests	-	-
1.11 Profit (loss) attributable to members of the parent	237	320
1.12 Basic earnings per security <i>(item 9.1)</i>	10.30¢	13.91¢
1.13 Diluted earnings per security <i>(item 9.1)</i>	10.30¢	13.91¢
1.14 Dividends per security <i>(item 9.1)</i>	7¢	6¢

Comparison of half-year profits*(Preliminary final statement only)*

	Current period	Previous corresponding period
2.1 Consolidated profit (loss) after tax attributable to members reported for the 1st half year <i>(item 1.11 in the half yearly statement)</i>	241	248
2.2 Consolidated profit (loss) after tax attributable to members for the 2nd half year	(4)	61

Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

Current assets		Current period	Previous corresponding period
3.1	Cash and cash equivalents	1,116	1,036
3.2	Trade and other receivables	237	232
3.3	Inventories	-	-
3.4	Other current assets (current tax asset)	14	-
3.5	Total current assets	1,367	1,268
Non-current assets			
3.6	Available for sale investments	-	-
3.7	Other financial assets	-	-
3.8	Investments in associates	-	-
3.9	Deferred tax assets	-	-
3.10	Exploration and evaluation expenditure capitalised (see para. 71 of AASB 1022 – new standard not yet finalised)	-	-
3.11	Development properties (mining entities)	-	-
3.12	Property, plant and equipment (net)	1,622	1,652
3.13	Investment properties	-	-
3.14	Goodwill	-	-
3.15	Other intangible assets	135	28
3.16	Other (provide details if material)	-	-
3.17	Total non-current assets	1,757	1,680
3.18	Total assets	3,124	2,948
Current liabilities			
3.19	Trade and other payables	103	62
3.20	Short term borrowings	1	1
3.21	Current tax payable	-	32
3.22	Short term provisions	63	112
3.23	Current portion of long term borrowings	-	-
3.24	Other current liabilities (provide details if material)	-	-
		167	207
3.25	Liabilities directly associated with non-current assets classified as held for sale (para 38 of AASB 5)	-	-
3.26	Total current liabilities	167	207
Non-current liabilities			

		Current period	Previous corresponding period
3.27	Long-term borrowings	-	-
3.28	Deferred tax liabilities	114	99
3.29	Long term provisions	9	9
3.30	Other (Franchise Fee renewal)	125	-
3.31	Total non-current liabilities	248	108
3.32	Total liabilities	415	315
3.33	Net assets	2,709	2,633
	Equity		
3.34	Share capital	1,641	1,641
3.35	Other reserves	295	295
3.36	Retained earnings	773	697
	Amounts recognised directly in equity relating to non-current assets classified as held for sale	-	-
3.37	Parent interest	-	-
3.38	Minority interest	-	-
3.39	Total equity	2,709	2,633

Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

	Current period	Previous corresponding period
Revenues recognised directly in equity:	-	-
Expenses recognised directly in equity:	-	-
4.1 Net income recognised directly in equity	-	-
4.2 Profit for the period	237	320
4.3 Total recognised income and expense for the period	237	320
Attributable to:		
4.4 Members of the parent	237	320
4.5 Minority interest	-	-
Effect of changes in accounting policy (as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors):		
4.6 Members of the parent entity	-	-
4.7 Minority interest	-	-

Consolidated statement of cash flows

(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period	Previous corresponding period
	Cash flows related to operating activities		
5.1	Receipts from customers	2,766	2,720
5.2	Payments to suppliers and employees	(2,408)	(2,248)
5.3	Interest and other costs of finance paid	24	19
5.4	Income taxes paid	(124)	(153)
5.5	Other (interest received)	-	-
5.6	Net cash used in operating activities	258	338
	Cash flows related to investing activities		
5.7	Payments for purchases of property, plant and equipment	(17)	(46)
5.8	Proceeds from sale of property, plant and equipment	-	16
5.9	Payment for purchases of equity investments	-	-
5.10	Proceeds from sale of equity investments	-	-
5.11	Loans to other entities	-	-
5.12	Loans repaid by other entities	-	-
5.13	Interest and other items of similar nature received	-	-
5.14	Dividends received	-	-
5.15	Other (payment for intangible assets)	-	-
5.16	Net cash used in investing activities	(17)	(30)
	Cash flows related to financing activities		
5.17	Proceeds from issues of securities (shares, options, etc.)	-	-
5.18	Proceeds from borrowings	-	-
5.19	Repayment of borrowings	-	-
5.20	Dividends paid	(161)	(138)
5.21	Other (equity raising costs)	-	-
5.22	Net cash used in financing activities	(161)	(138)
	Net increase (decrease) in cash and cash equivalents	80	170
5.23	Cash at beginning of period (see Reconciliations of cash)	1,036	866
5.24	Exchange rate adjustments to item 5.23	-	-
5.25	Cash at end of period (see Reconciliation of cash)	1,116	1,036

Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

		Current period	Previous corresponding period
6.1	Profit <i>(item 1.9)</i>	237	320
	Adjustments for:		
6.2	Depreciation	47	43
6.3	Amortisation	25	25
6.4	Gain on revaluation of land and buildings	-	-
	Profit on disposal of assets	-	(1)
6.5	(Increase)/decrease in receivables	(5)	(23)
6.6	(Increase)/decrease in other assets	(14)	19
6.7	Increase/(decrease) in payables	34	(7)
6.8	Increase/(decrease) in provisions	(49)	12
6.9	Increase/(decrease) in tax liabilities	(17)	(50)
6.10	Net cash from operating activities <i>(item 5.6)</i>	258	338

Notes to the financial statements

Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

		Current period	Previous corresponding period
	Revenue		
	Services commissions	2,440	2,415
	Interest	23	19
	Other revenue	56	61
7.1	Total Revenue	2,519	2,495
	Expenses		
	Employee benefits expense	(934)	(867)
	Charitable donations, sponsorship, advertising and promotion	(500)	(497)
	Occupancy and associated costs	(305)	(265)
	Systems costs	(106)	(101)
	Depreciation and amortisation expense	(73)	(69)
	Finance costs	-	-
	General administration expenses	(272)	(255)
7.2	Total Expenses	(2,190)	(2,054)
	Profit (loss) before tax	329	441

Ratios

		Current period	Previous corresponding period
	Profit before tax / revenue		
8.1	Consolidated profit (loss) before tax (item 1.5) as a percentage of revenue (item 1.1)	13.08%	17.67%
	Profit after tax / equity interests		
8.2	Consolidated profit (loss) after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 3.37)	8.74%	12.14%

Earnings per Security

9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

	Current period	Previous corresponding period
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	236,792	319,675
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,298,386	2,298,386
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (if different from basic)	-	-

Dividends

10.1 Date the dividend is payable

10.2 Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

10.3 If it is a final dividend, has it been declared?

(Preliminary final report only)

10.4 The *dividend or distribution plans* shown below are in operation.

The last date(s) for receipt of election notices to the *dividend or distribution plans*

10.5 Any other disclosures in relation to *dividends or distributions*

Dividends paid or provided for on all securities*(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)*

	Current period	Previous corresponding period	Franking rate applicable
Dividends paid or provided for during the reporting period			
10.6 Current year interim	-	-	-
10.7 Franked dividends	-	-	-
10.8 Previous year final	161	138	-
10.9 Franked dividends	161	138	-
Dividends proposed and not recognised as a liability			
10.10 Franked dividends	-	-	-

Dividends per security*(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)*

	Current year	Previous year	Franking rate applicable
Dividends paid or provided for during the reporting period			
10.11 Current year interim	-	-	-
10.12 Franked dividends – cents per share	-	-	-
10.13 Previous year final	7¢	6¢	-
10.14 Franked dividends – cents per share	7¢	6¢	-
Dividends proposed and not recognised as a liability			
10.15 Franked dividends – cents per share	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period	Previous corresponding period
11.1 Opening balance	-	-
11.2 Expenditure incurred during current period	-	-
11.3 Expenditure written off during current period	-	-
11.4 Acquisitions, disposals, revaluation increments, etc.	-	-
11.5 Expenditure transferred to Development Properties	-	-
11.6 Closing balance as shown in the consolidated balance sheet (item 3.10)	-	-

Development properties

(To be completed only by issuers with mining interests if amounts are material)

	Current period	Previous corresponding period
12.1 Opening balance	-	-
12.2 Expenditure incurred during current period	-	-
12.3 Expenditure transferred from exploration and evaluation	-	-
12.4 Expenditure written off during current period	-	-
12.5 Acquisitions, disposals, revaluation increments, etc.	-	-
12.6 Expenditure transferred to mine properties	-	-
12.7 Closing balance as shown in the consolidated balance sheet (item 3.11)	-	-

Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

	Current period	Previous corresponding period
13.1 Revenue	-	-
13.2 Expense	-	-
13.3 Profit (loss) from discontinued operations before income tax	-	-
13.4 Income tax expense <i>(as per para 81 (h) of AASB 112)</i>	-	-
13.5 Gain (loss) on sale/disposal of discontinued operations	-	-
13.6 Income tax expense <i>(as per paragraph 81(h) of AASB 112)</i>	-	-

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

		Number issued	Number listed	Paid-up value (cents)	Current period	Previous correspondin g period
14.1	Preference securities <i>(description)</i>					
14.2	Balance at start of period	-	-	-	-	-
14.3	a) Increases through issues	-	-	-	-	-
14.4	a) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.5	Balance at end of period	-	-	-	-	-
14.6	Ordinary securities <i>(ordinary shares fully paid)</i>					
14.7	Balance at start of period	2,298,386	2,298,386	100	1,673	1,673
14.8	a) Increases through issues	-	-	-	-	-
14.9	b) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.10	Balance at end of period	2,298,386	2,298,386	100	1,673	1,673
14.11	Convertible Debt Securities <i>(description & conversion factor)</i>					
14.12	Balance at start of period	-	-	-	-	-
14.13	a) Increases through issues	-	-	-	-	-
14.14	b) Decreases through maturity, converted.	-	-	-	-	-

14.15	Balance at end of period	-	-	-	-	-
		Number issued	Number listed	Paid-up value (cents)	Current period	Previous corresponding period
14.16	Options <i>(description & conversion factor)</i>					
14.17	Balance at start of period	-	-	-	-	-
14.18	Issued during period	-	-	-	-	-
14.19	Exercised during period	-	-	-	-	-
14.20	Expired during period	-	-	-	-	-
14.21	Balance at end of period	-	-	-	-	-
14.22	Debentures <i>(description)</i>					
14.23	Balance at start of period	-	-	-	-	-
14.24	a) Increases through issues	-	-	-	-	-
14.25	b) Decreases through maturity, converted	-	-	-	-	-
14.26	Balance at end of period	-	-	-	-	-
14.27	Unsecured Notes <i>(description)</i>					
14.28	Balance at start of period	-	-	-	-	-
14.29	a) Increases through issues	-	-	-	-	-
14.30	b) Decreases through maturity, converted	-	-	-	-	-
14.31	Balance at end of period	-	-	-	-	-
14.32	Total Securities	2,298,386	2,298,386	100	1,673	1,673

		Current period	Previous corresponding period
Reserves			
14.33	Balance at start of period	295	72
14.34	Transfers to/from reserves	-	223
14.35	Total for the period	-	-
14.36	Balance at end of period	295	295
14.37	Total reserves	295	295
Retained earnings			
14.38	Balance at start of period	697	515
14.39	Changes in accounting policy	-	-
14.40	Restated balance	-	-
14.41	Profit for the balance	237	320
14.42	Total for the period	-	-
14.43	Dividends	(161)	(138)
14.44	Balance at end of period	773	697

Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)

Name of associate or joint venture entity

Reporting entities percentage holding

		Current period	Previous corresponding period
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	Profit (loss) after tax	-	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	Share of net profit (loss) of associates and joint venture entities	-	-

Control gained over entities having material effect

(See note 8)

16.1 Name of *issuer* (or *group*)

16.2 Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired

-
-
-

16.3 Date from which profit (loss) in *item 16.2* has been calculated

16.4 Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period

Loss of control of entities having material effect*(See note 8)*

17.1	Name of <i>issuer</i> (or <i>group</i>)	
17.2	Consolidated profit (loss) after tax of the entity (or <i>group</i>) for the current period to the date of loss of control	-
17.3	Date from which the profit (loss) in <i>item 17.2</i> has been calculated	-
17.4	Consolidated profit (loss) after tax of the entity (or <i>group</i>) while controlled during the whole of the previous corresponding period	-
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	-

Material interests in entities which are not controlled entities*The economic entity has an interest (that is material to it) in the following entities.*

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) (<i>item 1.9</i>)	
18.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period	Previous corresponding period
				<i>Equity accounted</i>	
		-	-	-	-
		-	-	-	-
		-	-	-	-
18.2	Total	-	-	-	-
18.3	Other material interests			Non equity accounted (i.e. part of <i>item 1.9</i>)	
		-	-	-	-
		-	-	-	-
18.4	Total	-	-	-	-

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

	Current period	Previous corresponding period
Segments		
Revenue:		
19.1 External sales	-	-
19.2 Inter-segment sales	-	-
19.3 Total (consolidated total equal to <i>item 1.1</i>)	-	-
19.4 Segment result	-	-
19.5 Unallocated expenses	-	-
19.6 Operating profit (equal to <i>item 1.5</i>)	-	-
19.7 Interest expense	-	-
19.8 Interest income	-	-
19.9 Share of profits of associates	-	-
19.10 Income tax expense	-	-
19.11 Net profit (consolidated total equal to <i>item 1.9</i>)	-	-
Other information	-	-
19.12 Segment assets	-	-
19.13 Investments in equity method associates	-	-
19.14 Unallocated assets	-	-
19.15 Total assets (equal to <i>item 3.18</i>)	-	-
19.16 Segment liabilities	-	-
19.17 Unallocated liabilities	-	-
19.18 Total liabilities (equal to <i>item 3.32</i>)	-	-
19.19 Capital expenditure	-	-
19.20 Depreciation	-	-
19.21 Other non-cash expenses	-	-

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$1.07	\$1.09

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1

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International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1

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Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2

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Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations (as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Franking Credits currently available are: \$364,797

The amount of dividends to be paid is assessed by the board at the conclusion of each financial year. The Board expect that future dividend payments will be fully franked.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. *(as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year *(as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place	Heidelberg Branch Community Room
Date	Tuesday 12 th of November 2019
Time	6:00pm
Approximate date the annual report will be available	14 October 2019

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

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2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

- | | |
|---|---|
| <input checked="" type="checkbox"/> The financial statements have been audited. | <input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed. |

5. If the accounts have been or are being audited or subject to review details of any qualifications are attached.
6. The *issuer* has a formally constituted audit committee.

Sign here: 

(Company secretary)

Date: 26 August 2019

Print name: Russell James Hutchins

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*
 - Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5*. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9*.
5. **Consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting*, and *AASB 101: Presentation of Financial Statements*. Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) after tax by more than 5% compared to the previous corresponding period.
9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under ASIC Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.
11. **Comparative figures** Comparative figures are to be presented in accordance with AASB 101: *Presentation of Financial Statements* or AASB 134: *Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the ASIC under the *Corporations Act* must also be given to the *Exchange*. For example, a *directors'* report and declaration, if lodged with the ASIC, must be given to the *Exchange*.
13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.
15. **Details of expenses** AASB 101: *Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

Relevant items AASB 101: *Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant*, as defined in AASB 101, in explaining the financial performance of the *issuer*. There is an equivalent requirement in AASB 134: *Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.
17. **Discontinuing operations**
Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with AASB 5: *Non-current Assets for Sale and Discontinued Operations*

In any case, the information may be provided as an attachment to this Appendix 3.

Heidelberg District Community Enterprise Limited

ABN: 62 095 312 744

Financial Statements

30 June 2019

Heidelberg District Community Enterprise Limited

Directors' Report

Your Directors submit the financial statements of the Company for the financial year ended 30 June 2019.

Directors

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

Nancy Louise Caple

Chair and Independent

Self employed

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 the elected position of Chair on the Community Bank National Council. 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, Human Resources

Interest in shares: 22,077

Russell James Hutchins

Company Secretary and Independent Non-executive Director

Retired IT Consultant

Prior to retiring in 2018, Russell had 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 for part of the year), Human Resources

Interest in shares: 13,000

Brian Thomas Simpson

Independent Non-executive Director

Retired Bank Executive

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

Interest in shares: 1,533

Heidelberg District Community Enterprise Limited

Directors' Report

Directors (*continued*)

Jason Gerard Dwyer

Treasurer (part of the year) and Independent Non-executive Director

Senior Management

Jason has worked for Bendigo Bank across many roles in business finance in key leadership roles across debtor finance, customer experience, equipment finance. He is currently 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 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 Information Systems. He has lived in Heidelberg for 15 years.

Committee member: Audit and Governance (Chair for part of the year), Marketing and Business Development

Interest in shares: 5000

Peter Richard Drapac

Independent Non-executive Director

Director/Owner of The National Business Institute of Australia

Peter has lived in the Heidelberg/Ivanhoe area most of his life. Peter 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 (Chair for part of the year)

Interest in shares: Nil

Anne Marie Rogan

Independent Non-executive Director

Education Manager

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

Committee member: Marketing and Business Development

Interest in shares: Nil

Amy Louise Coote

Independent Non-executive Director (*Appointed 10 December 2018*)

National Fundraising & Engagement Manager, Ardoch

Amy is a senior leader in the not-for-profit sector with experience in development, partnerships, fundraising, marketing, philanthropy and strategy. Amy is currently the National Fundraising & Engagement Manager with Ardoch and has had roles with Austin Health & the Olivia Newton-John Cancer Centre, Redkite and Mission Australia. She is also on the Founding Executive Committee of the Melbourne Women's Fund, one of Australia's leading Giving Circles. Prior to this, Amy held senior business development and project leadership roles in the professional conference and events sector and hotel industry. Amy was awarded a Bachelor of Applied Science with distinction from R.M.I.T and more recently achieved First Class Honours in her Specialist Certificate in Executive Leadership from the University of Melbourne.

Committee member: Marketing and Business Development

Interest in shares: Nil

David John Mayne

Independent Non-executive Director (*Resigned 30 June 2019*)

Retired

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 worked part time in Infrastructure (Project Management). 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(Chair)

Interest in shares: 32,000

Heidelberg District Community Enterprise Limited

Directors' Report

Directors (*continued*)

Age Johannes Wilhelm Nota

Treasurer (part of the year) and Independent Non-executive Director (*Resigned 9 March 2019*)

Retired

John Nota is an economist with 40 years of corporate experience. John has held senior executive financial positions within a number of publicly listed Australian and international companies. John started his career at the Commercial Bank of Australia Limited. He joined CRA Limited in 1981 where he held executive treasury management roles as well as general management roles in equity finance, investor relations, investment management and financial risk management. John was Managing Director of CRA Finance Limited (the internal banking group for CRA) at the time of merger between The RTZ Corporation plc and CRA Limited. Subsequently, John was appointed to the position of Group Treasurer and Head of Corporate Finance for AXA Pacific Holdings Limited, where he was responsible for the Group's funding and financial risk management as well as being extensively involved in the Group's M&A activities. From 2003 to 2007, John was Head of Legal Operations at the National Australia Bank. In recent years, John has provided consulting advice to Commonwealth Bank Australia, National Australia Bank, Pacific Edge and The Boston Consulting Group. John also has considerable Board experience, having been a board member of a number of finance companies and a hotel management Company. He is currently Chairperson of Olympic Adult Education, Inc. Qualifications: Bachelors of Economics, La Trobe University, 1976. Post graduate studies: London Business School, 2002. Advanced Management Courses: Australia Graduate School of Management, AXA University.

Committee member: Audit and Governance

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

Operations have performed in line with expectations given the prevailing subdued economic conditions. The profit of the Company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2019	30 June 2018
\$	\$
236,792	319,675

Heidelberg District Community Enterprise Limited

Directors' Report

Operating and financial review

Operations

The Company is a sole purpose entity 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.

Financial position

The strength of the balance sheet has improved with retained earnings increasing over the previous year. The Company is in a strong cash position and has cash holdings well in excess of the franchise obligations.

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 the properties from which its branches operate, taking into account current leases and available suitable alternative sites.

The objectives of this approach are to enhance shareholder value and most effectively utilise Company resources.

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 management team on winning new business using a variety of strategies to leverage the Company's community relationships.

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

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 key management personnel to run and manage the Company, as well as create alignment between directors, managers and shareholders.

Key management personnel remuneration policy

Key management personnel receive a base salary (which is based on factors such as 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 financial indicators and the contribution of each Manager towards achieving these targets. The Board may exercise its discretion in relation to approving incentives and bonuses. The policy is designed to attract high calibre managers and reward them for performance results.

Heidelberg District Community Enterprise Limited

Directors' Report

Remuneration report (*continued*)

Key management personnel remuneration policy (*continued*)

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. Key management personnel are paid employee benefit entitlements accrued to date of leaving the employment of the Company.

Remuneration structure

All Directors are independent non-executive Directors and are eligible to be paid directors' fees.

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.

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

Key management performance based remuneration

The key performance indicators (KPIs) are set annually in consultation with key management personnel to ensure commitment. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for lending and deposit growth and profit. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is reviewed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in consultation with regional management of Bendigo and Adelaide Bank Limited.

Company performance.

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. Whilst revenue (other than in 2014 and 2015) has generally increased year on year, the net profit in any year has not necessarily risen in line with revenue growth. This is because the Company has prioritised grants and sponsorships to community groups in preference to reporting profit growth. The Company's performance over the last 8 years has not been reflected in the Company's share price, albeit that in recent years dividends have been maintained or increased.

Heidelberg District Community Enterprise Limited

Directors' Report

Remuneration report (*continued*)

Company performance (continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	2,519,346	2,494,759	2,342,173	2,200,696	2,182,225	2,234,966	2,453,930	2,131,142
Net profit/(loss)	236,792	319,675	301,362	70,236	116,575	118,588	295,074	126,809
Share price at year end	0.75	0.75	0.85	0.85	0.85	0.85	0.85	0.80
Net dividend paid	160,887	137,903	114,919	114,919	137,903	137,903	137,903	114,919

Directors' remuneration

For the year ended 30 June 2019 the Directors received total remuneration, as follows:

	\$
Nancy Louise Caple	5,000
Russell James Hutchins	5,000
Brian Thomas Simpson	3,000
John Kenneth Nelson	3,000
Jason Gerard Dwyer	3,666
Peter Richard Drapac	3,000
Anne Marie Rogan	3,000
Amy Louise Coote (<i>Appointed 10 December 2018</i>)	1,500
David John Mayne (<i>Resigned 30 June 2019</i>)	3,000
Age Johannes Wilhelm Nota (<i>Resigned 9 March 2019</i>)	3,334
	<u>33,500</u>

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

Options issued as part of remuneration for the year ended 30 June 2019

No options have been issued as part of remuneration for the year ended 30 June 2019.

Employment Contracts of Directors

There are no employment contracts for Directors.

Heidelberg District Community Enterprise Limited

Directors' Report

Remuneration report (*continued*)

Directors' shareholdings

	Balance at the start of year	Changes during the year	Balance at end of year
Nancy Louise Caple	22,077	-	22,077
Russell James Hutchins	13,000	-	13,000
Brian Thomas Simpson	10,000	-	10,000
John Kenneth Nelson	1,533	-	1,533
Jason Gerard Dwyer	5,000	-	5,000
Peter Richard Drapac	-	-	-
Anne Marie Rogan	-	-	-
Amy Louise Coote (<i>Appointed 10 December 2018</i>)	-	-	-
David John Mayne (<i>Resigned 30 June 2019</i>)	32,000	-	32,000
Age Johannes Wilhelm Nota (<i>Resigned 9 March 2019</i>)	-	-	-

	Year ended 30 June 2019	
	Cents	\$
Dividends		
Dividends paid in the year	7	160,887

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and Officers in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Officers 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.

Heidelberg District Community Enterprise Limited

Directors' Report

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	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Nancy Louise Caple	11	9	-	-	6	5	11	9	-	-
Russell James Hutchins	11	10	5	5	2	2	-	-	-	-
Brian Thomas Simpson	11	7	5	3	6	5	-	-	-	-
John Kenneth Nelson	11	8	2	2	6	5	-	-	-	-
Jason Gerard Dwyer	11	8	5	3	-	-	11	4	-	-
Peter Richard Drapac	11	11	-	-	-	-	-	-	6	6
Anne Marie Rogan	11	10	-	-	-	-	5	-	-	-
Amy Louise Coote (<i>Appointed 10 December 2018</i>)	6	5	-	-	-	-	-	-	-	-
David John Mayne (<i>Resigned 30 June 2019</i>)	11	9	-	-	-	-	11	6	6	6
Age Johannes Wilhelm Nota (<i>Resigned 9 March 2019</i>)	7	7	4	4	-	-	-	-	-	-

E - eligible to attend

A - number attended

Proceedings on behalf of the Company

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

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

Non audit services

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

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.

Heidelberg District Community Enterprise Limited

Directors' Report

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 10.

Signed in accordance with a resolution of the Board of Directors at Heidelberg, Victoria on 26 August 2019.



Russell James Hutchins, Director

Signed on the 26th of August 2019.

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 2019, 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: 26 August 2019



Graeme Stewart
Lead Auditor

Heidelberg District Community Enterprise Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	2,519,346	2,494,759
Expenses			
Employee benefits expense		(934,411)	(867,395)
Advertising and marketing expenses		(155,394)	(146,931)
Occupancy and associated costs		(304,675)	(264,732)
Systems costs		(106,041)	(101,424)
Depreciation and amortisation expense	5	(72,441)	(68,648)
Finance costs	5	(154)	(55)
General administration expenses		(272,166)	(258,393)
Profit before grants and sponsorships		674,064	787,181
Grants and sponsorships		(344,495)	(346,250)
Profit before income tax expense		329,569	440,931
Income tax expense	6	(92,777)	(121,256)
Profit after income tax expense		236,792	319,675
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings, net of tax		-	223,241
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		236,792	542,916
Earnings per share		¢	¢
Basic earnings per share	24	10.30	13.91

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited

Balance Sheet

as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,115,999	1,036,177
Trade and other receivables	8	237,068	231,847
Current tax asset	11	14,140	-
Total current assets		1,367,207	1,268,024
Non-Current Assets			
Property, plant and equipment	9	1,622,301	1,651,801
Intangible assets	10	134,929	28,398
Total non-current assets		1,757,230	1,680,199
Total assets		3,124,437	2,948,223
LIABILITIES			
Current liabilities			
Current tax liabilities	11	-	31,699
Trade and other payables	12	103,047	61,908
Borrowings	13	1,320	1,066
Provisions	14	62,835	112,318
Total current liabilities		167,202	206,991
Non-current liabilities			
Deferred tax liabilities	11	113,881	98,744
Trade and other payables	12	124,729	-
Provisions	14	8,927	8,695
Total non-current liabilities		247,537	107,439
Total liabilities		414,739	314,430
Net assets		2,709,698	2,633,793
EQUITY			
Issued capital	15	1,641,165	1,641,165
Reserves	16	295,301	295,301
Retained earnings	17	773,232	697,327
Total equity		2,709,698	2,633,793

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited

Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 July 2017		1,641,165	515,555	72,060	2,228,780
Total comprehensive income for the year		-	319,675	223,241	542,916
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	(137,903)	-	(137,903)
Balance at 30 June 2018		1,641,165	697,327	295,301	2,633,793
Balance at 1 July 2018		1,641,165	697,327	295,301	2,633,793
Total comprehensive income for the year		-	236,792	-	236,792
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	(160,887)	-	(160,887)
Balance at 30 June 2019		1,641,165	773,232	295,301	2,709,698

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited

Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		2,766,293	2,719,808
Payments to suppliers and employees		(2,408,287)	(2,247,553)
Interest received		23,970	18,783
Interest paid		(154)	(55)
Income taxes paid		(123,479)	(152,548)
Net cash provided by operating activities	18	258,343	338,435
Cash flows from investing activities			
Payments for property, plant and equipment		(17,634)	(46,138)
Proceeds from disposal of property, plant and equipment		-	15,455
Net cash used in investing activities		(17,634)	(30,683)
Cash flows from financing activities			
Dividends paid	23	(160,887)	(137,903)
Net cash used in financing activities		(160,887)	(137,903)
Net increase in cash held		79,822	169,849
Cash and cash equivalents at the beginning of the financial year		1,036,177	866,328
Cash and cash equivalents at the end of the financial year	7(a)	1,115,999	1,036,177

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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 Standards Board (AASB) 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 which 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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)*AASB 9 Financial Instruments (continued)*

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

There are also a number of accounting standards and interpretations issued by the 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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the Company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The Company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The Company will recognise new assets and liabilities for operating leases of its branches. The nature of expenses related to these leases will now change as the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$1,398,042.

No significant impact is expected for the Company's finance leases.

Economic dependency - Bendigo and Adelaide Bank Limited

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The Company manages the Community Bank® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)*Economic dependency - 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 arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

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.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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 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 unrefundable).

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 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 entity intends to settle its tax assets and liabilities on a net basis.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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 gain from a bargain purchase.

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	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicle	3 - 5	years

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

*Classification and subsequent measurement**(i) Financial liabilities*

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The Company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments (*continued*)*Classification and subsequent measurement*

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The Company's investments in equity instruments are measured at FVTPL unless the Company irrevocably elects at inception to measure at FVOCI.

*Derecognition**(i) Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments (*continued*)*Impairment (continued)*

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (*continued*)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the Company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the Company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the Company has classified Bendigo and Adelaide Bank Limited as low risk.

The Company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo and Adelaide Bank Limited receivable as at 30 June 2019.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

The Company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(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 2019 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.

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.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Critical accounting estimates and judgements (*continued*)

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 carried-forward 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 entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Fair value measurement

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Critical accounting estimates and judgements (*continued*)

Fair value measurement (continued)

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

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

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

Note 4. Revenue from ordinary activities	2019	2018
	\$	\$
Operating activities:		
- gross margin	2,159,752	2,152,218
- services commissions	133,640	110,522
- fee income	126,480	131,440
- market development fund	20,000	20,000
Total revenue from operating activities	<u>2,439,872</u>	<u>2,414,180</u>
Non-operating activities:		
- interest received	22,997	19,332
- rental revenue	56,477	60,020
- profit on sale of motor vehicle	-	1,227
Total revenue from non-operating activities	<u>79,474</u>	<u>80,579</u>
Total revenues from ordinary activities	<u><u>2,519,346</u></u>	<u><u>2,494,759</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,859	4,231
- leasehold improvements	13,722	17,782
- buildings	18,563	16,500
- motor vehicle	7,990	4,828
Amortisation of non-current assets:		
- franchise agreement	4,599	4,599
- franchise renewal fee	20,708	20,708
	<u>72,441</u>	<u>68,648</u>
Finance costs:		
- interest paid	<u>154</u>	<u>55</u>
Bad debts	<u>854</u>	<u>516</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6. Income tax expense	2019	2018
	\$	\$
The components of tax expense comprise:		
- Current tax	77,640	115,447
- Movement in deferred tax	15,137	5,809
	<u>92,777</u>	<u>121,256</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	329,569	440,931
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	90,631	121,256
Add tax effect of:		
- non-deductible expenses	2,146	4,250
- timing difference expenses	(15,137)	(9,721)
- other deductible expenses	-	(338)
	<u>77,640</u>	<u>115,447</u>
Movement in deferred tax	15,137	5,809
	<u>92,777</u>	<u>121,256</u>

Note 7. Cash and cash equivalents		
Cash at bank and on hand	55,749	25,927
Term deposits	1,060,250	1,010,250
	<u>1,115,999</u>	<u>1,036,177</u>

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	55,749	25,927
Term deposits	1,060,250	1,010,250
	<u>1,115,999</u>	<u>1,036,177</u>

Note 8. Trade and other receivables		
Trade receivables	181,050	194,494
Prepayments	43,136	28,328
Other receivables and accruals	12,882	9,025
	<u>237,068</u>	<u>231,847</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9.	Property, plant and equipment	Note	2019	2018
			\$	\$
<i>Land and buildings</i>				
Freehold land				
At cost	19		<u>607,500</u>	<u>607,500</u>
Buildings				
At cost			742,500	742,500
Less accumulated depreciation			(18,563)	-
	19		<u>723,937</u>	<u>742,500</u>
Leasehold improvements				
At cost			506,537	506,537
Less accumulated depreciation			(271,376)	(257,654)
			<u>235,161</u>	<u>248,883</u>
Plant and equipment				
At cost			113,328	95,694
Less accumulated depreciation			(87,067)	(80,208)
			<u>26,261</u>	<u>15,486</u>
Motor Vehicle				
At cost			39,950	39,950
Less accumulated depreciation			(10,508)	(2,518)
			<u>29,442</u>	<u>37,432</u>
Total written down amount			<u><u>1,622,301</u></u>	<u><u>1,651,801</u></u>

Movements in carrying amounts:

Land				
Carrying amount at beginning			607,500	440,000
Revaluation increment			-	167,500
Carrying amount at end			<u>607,500</u>	<u>607,500</u>
Buildings				
Carrying amount at beginning			742,500	591,250
Revaluation increment			-	167,750
Disposals			-	-
Less: depreciation expense			(18,563)	(16,500)
Carrying amount at end			<u>723,937</u>	<u>742,500</u>
Leasehold improvements				
Carrying amount at beginning			248,883	266,665
Additions			-	-
Disposals			-	-
Less: depreciation expense			(13,722)	(17,782)
Carrying amount at end			<u>235,161</u>	<u>248,883</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Property, plant and equipment (continued)	2019	2018
	\$	\$
Movements in carrying amounts (continued):		
Plant and equipment		
Carrying amount at beginning	15,486	13,528
Additions	17,634	6,189
Disposals	-	-
Less: depreciation expense	(6,859)	(4,231)
Carrying amount at end	<u>26,261</u>	<u>15,486</u>
Motor Vehicle		
Carrying amount at beginning	37,432	16,538
Additions	-	39,950
Disposals	-	(14,228)
Less: depreciation expense	(7,990)	(4,828)
Carrying amount at end	<u>29,442</u>	<u>37,432</u>
Total written down amount	<u>1,622,301</u>	<u>1,651,801</u>

The Company's land and buildings at East Ivanhoe were independently valued during June 2018 by Miles Real Estate. The valuation resulted in an increment to the carrying amount of the land and buildings of \$250,000 (\$223,241 net of income tax), recognised as other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

Note 10. Intangible assets		
Franchise fee		
At cost	72,241	50,267
Less: accumulated amortisation	(49,715)	(45,116)
	<u>22,526</u>	<u>5,151</u>
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(70,000)
	<u>-</u>	<u>-</u>
Renewal processing fee		
At cost	242,377	132,513
Less: accumulated amortisation	(129,974)	(109,266)
	<u>112,403</u>	<u>23,247</u>
Total written down amount	<u>134,929</u>	<u>28,398</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Tax	2019	2018
	\$	\$
Current:		
Income tax payable/(refundable)	<u>(14,140)</u>	<u>31,699</u>
Non-Current:		
Deferred tax assets		
- accruals	1,622	1,017
- employee provisions	19,735	33,279
	<u>21,357</u>	<u>34,296</u>
Deferred tax liability		
- accruals	1,206	1,474
- property, plant and equipment	134,032	131,566
	<u>135,238</u>	<u>133,040</u>
Net deferred tax liability	<u>(113,881)</u>	<u>(98,744)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>15,137</u>	<u>117,819</u>

Note 12. Trade and other payables

Current:		
Trade creditors	8,425	13,802
Other creditors and accruals	94,622	48,106
	<u>103,047</u>	<u>61,908</u>
Non-Current:		
Trade creditors	<u>124,729</u>	<u>-</u>

Note 13. Borrowings

Current:		
Bank loans	<u>1,320</u>	<u>1,066</u>

The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan facility that expires on 28 April 2023. \$111,897 is available for redraw as at 30 June 2019. Interest is recognised at an average rate of 5.26%.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions

Current:

Provision for annual leave	32,633	47,538
Provision for long service leave	30,202	64,780
	<u>62,835</u>	<u>112,318</u>

Non-Current:

Provision for long service leave	<u>8,927</u>	<u>8,695</u>
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Note 15. Issued capital

East Ivanhoe 1,098,386 ordinary shares fully paid (2018: 1,098,386)	473,010	473,010
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East Ivanhoe includes bonus shares issued to all existing shareholders on a 1.3:1 basis (620,826 shares) on 17 June 2009.

Heidelberg 1,200,000 ordinary shares fully paid (2018: 1,200,000)	1,200,000	1,200,000
Less: equity raising expenses	(31,845)	(31,845)
	<u>1,641,165</u>	<u>1,641,165</u>

Rights attached to shares

(a) Voting rights

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

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

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

(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).

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Issued capital (*continued*)

(c) *Transfer*

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act 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 438 shareholders.

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

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

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

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

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

Note 16. Reserves	2019	2018
	\$	\$
Balance at the beginning of the financial year	295,301	72,060
Gain on property revaluation	-	335,250
Deferred income tax attributable to revaluation increment	-	(112,009)
Asset revaluation reserve	<u>295,301</u>	<u>295,301</u>

The freehold land and buildings were independently valued at 15 June 2018 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.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Retained earnings	2019	2018
	\$	\$
Balance at the beginning of the financial year	697,327	515,555
Net profit from ordinary activities after income tax	236,792	319,675
Dividends paid or provided for	(160,887)	(137,903)
Balance at the end of the financial year	<u>773,232</u>	<u>697,327</u>

Note 18. 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	236,792	319,675
Non cash items:		
- depreciation	47,134	43,341
- amortisation	25,307	25,307
- profit on disposal	-	(1,227)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,221)	(22,807)
- (increase)/decrease in other assets	(14,140)	19,075
- increase/(decrease) in payables	34,284	(6,670)
- increase/(decrease) in provisions	(49,251)	12,108
- increase/(decrease) in current tax liabilities	(16,562)	(50,367)
Net cash flows provided by operating activities	<u>258,343</u>	<u>338,435</u>

Note 19. 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 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	607,500	-	607,500
Buildings	-	723,937	-	723,937
	<u>-</u>	<u>1,331,437</u>	<u>-</u>	<u>1,331,437</u>
Total assets at fair value	<u>-</u>	<u>1,331,437</u>	<u>-</u>	<u>1,331,437</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (*continued*)

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	607,500	-	607,500
Buildings	-	742,500	-	742,500
	<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
Total assets at fair value	<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>

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 FVTPL financial assets 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.

Note 20. Leases	2019 \$	2018 \$
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	218,592	237,268
- between 12 months and 5 years	341,615	175,282
	<u>560,207</u>	<u>412,550</u>

The East Ivanhoe branch lease is a non-cancellable lease with a five-year term which ends on 1 April 2021. The lease has one 5 year option to extend the lease. Rent is payable monthly.

The Heidelberg branch lease is a non-cancellable lease with a three-year term which ends on 30 September 2022. The lease has one 3 year option to extend the lease. Rent is payable monthly.

Note 21. Auditor's remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit and review services	5,700	5,600
- non audit services	5,040	3,720
	<u>10,740</u>	<u>9,320</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Director and related party disclosures	2019	2018
	\$	\$
Directors' Remuneration		
Directors' Remuneration	33,500	35,250
	<u>33,500</u>	<u>35,250</u>

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

	2019	2018
Director Shareholdings - Ordinary shares fully paid	83,610	87,560

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

Note 23. Dividends provided for or paid	2019	2018
	\$	\$
a. Dividends paid during the year		
Prior year proposed final 100% (2018: 100%) franked dividend - 7 cents (2018: 6 cents) per share	<u>160,887</u>	<u>137,903</u>

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	378,937	316,485
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	<u>(14,140)</u>	<u>27,773</u>

Franking credits available for future financial reporting periods:

Net franking credits available	<u>364,797</u>	<u>344,258</u>
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c. Reconciliation of franking account balance

Reconciliation of franking account balance as at the end of the financial year

Opening balance	316,485	216,244
- franking credits from the payment of income tax instalments during the year	119,695	90,773
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of income tax returns	3,783	61,776
- franking debits from the payment of fully franked dividends	<u>(61,026)</u>	<u>(52,308)</u>
Closing balance	<u>378,937</u>	<u>316,485</u>

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Earnings per share	2019	2018
	\$	\$
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	236,792	319,675
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,298,386	2,298,386

Note 25. Events occurring after the reporting date

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

Note 26. 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 27. Segment reporting

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

Note 28. Registered office/Principal place of business

The entity is a Company limited by shares, incorporated and domiciled in Australia. The registered office and principal 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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 29. 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					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	55,349	25,527	1,060,250	1,010,250	-	-	-	-	400	400	1.97	1.80
Receivables	-	-	-	-	-	-	-	-	181,050	194,494	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	1,320	1,066	-	-	-	-	-	-	5.26	5.28
Payables	-	-	-	-	-	-	-	-	8,425	13,802	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.

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019	2018
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	11,143	10,347
Decrease in interest rate by 1%	(11,143)	(10,347)
Change in equity		
Increase in interest rate by 1%	11,143	10,347
Decrease in interest rate by 1%	(11,143)	(10,347)

Heidelberg District Community Enterprise Limited

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 2019 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.

A handwritten signature in black ink, appearing to read 'Russell James Hutchins', is written over a solid horizontal line.

Russell James Hutchins, Director

Signed on the 26th of August 2019.

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

Report on the audit of the financial report

Our opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial 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 company.

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.

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 2019.

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report 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 2019 audit.

Directors' responsibility for the financial report

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

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

Auditor's 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: 26 August 2019



Graeme Stewart
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners
in success



61 Bull Street
Bendigo VIC 3550
PO Box 454
Bendigo VIC 3552

P 03 5443 0344
F 03 5443 5304
E afs@afsbendigo.com.au



afsbendigo.com.au