Annual Report 2020

Heidelberg District Community Enterprise Limited

East Ivanhoe and Heidelberg
Community Bank branches
ABN 62 095 312 744

Contents

Chairman's Report

For the year ended 30 June 2020

As Chair of Heidelberg District Community Enterprise Limited (HDCE) I am proud to submit the twentieth Annual Report to our shareholders.

Our Mission is

- to grow a sound and profitable banking facility for the Heidelberg District and surrounding communities,
- to provide value for our shareholders, staff, customers, and the community, and
- to support community programs and groups in providing key benefits to their communities by allocating annually a minimum of 25% of our Gross Profit* to this purpose.

* Gross Profit is profit before income tax and donations

Our Community

In our 19th year, I am thrilled to recognise and celebrate the contribution of HDCE to our local community here in Melbourne.

Over our short history we have supported over 176 groups, schools, clubs, and associations; feeding into the prosperity of our community and not feeding off it. The 2019/20 investment into our community is $276,264 and brings the total HDCE investment of $3,433,193 into the community that backed this amazing enterprise called Community Banking.

The highlight of 2019 was indeed the Community Pitch, an exceptionally successful night of community collaboration that saw $75,000 delivered to 15 groups and organisations from within our Heidelberg district community. It was a memorable event that brought together other local businesses to join with us in supporting those in need. We are equally proud of our continuing partnership with Banyule Community Health Service, delivering the Youth Foundation program for the last 12 years to the disengaged youth of the Heidelberg West area through Youth Foundation 3081. Our contribution here has totalled over $500,000. We have also continued to support the Somali Law Graduate Program run by the West Heidelberg Legal Service, a highly successful initiative now in its third year.

Given the unforeseen circumstances of COVID-19, the planned community investment strategies for the final half of the year were reviewed, enabling us to respond in an individualised way to the difficult issues being faced by different pockets of our community. Community Banks across our nation have been seen as second responders within communities during these emergency times; showing genuine concern, compassion and offering well needed, targeted assistance. This has been evidenced through the bushfire crises as well as through the pandemic across Australia.

Performance / Current Position

We have again faced a tough year in a challenging environment. The continuing impact of the Banking Royal Commission on increased regulations, record low interest rates, low business confidence and the unexpected and unprecedented events of COVID-19 have all contributed to our end of financial year position. Within the context of COVID-19, banking remained an essential service for our local and wider communities. During this period of uncertainty, your Board's focus was on providing a safe environment for our staff and customers, whilst ensuring the continuity of local banking services. With the assistance of financial support packages for impacted customers provided by Bendigo Bank and various government support packages, the impact of COVID-19 on the financial performance of our Community Bank branches was softened.

Operating in this unprecedented environment has impacted on our share of the revenue stream under our franchise agreement, a situation that keeps the Board vigilant in oversight of revenue and expenses.

I announce that in 2019/2020 the company made a profit of $310,942 before income tax. This is a change to last year's profit of $329,569. Gross revenue decreased by 7% to $2,344,448. Profit after tax has increased slightly to $237,705.

At June 2020, HDCE had healthy retained earnings of $504,184. HDCE is sound, is governed well, we have a sound and respected partner in Bendigo and Adelaide Bank and we as a business continue to deliver a valuable customer experience.

Our People

Our highly experienced HDCE team are crucial to the Company's success. Our team uphold the vision of the Company ……. to be a key element in the success of our community's development, sustainability and prosperity. We provide a premium level of service and community involvement which attracts and retains customers in the East Ivanhoe and Heidelberg Community Bank branches.

The customer facing team this financial year comprised Jo-Ann Downey, Julie Bullen, Sylvia Watson, Adam Greenland, Kerryn Young, Samantha Dawes, Haylee Doering, Syed Zaidi, Mark Munro, Jennifer Ferguson, and Jack Williams. Over the year we farewelled five team members: Pooja Nayyar, Omaid Solangi, Carole King, Susan Scroop, and Ashley Wijey. Carole and Susan served for eleven and ten years respectively, adding great value to our experienced customer service team.

Carly Kluge, our Community Liaison Officer, alongside Pam Tremlett, our Bookkeeper and Administration Officer, provided crucial ongoing support to the HDCE Board. These support roles are critical to the smooth operation of our Company.

In this exceptional year we particularly commend our staff for swiftly implementing hygiene and social distancing requirements into the branch operations to ensure the protection of our valued customers, our community and indeed themselves. We congratulate our team for their resilience and for all the extra effort they have given.

Our Board Of Directors

I feel privileged to be the Chair of the HDCE Board, supported by such diligent, conscientious and community minded fellow Directors. This past year the Board welcomed Jeremy McAuliffe, who brings skills in community and business acumen, and Tara O'Brien, who was previously an associate Director. All Board members hold positions on one or more of the following Committees; Human Resources, Audit and Governance (including Property) and Marketing and Business Development.

The Human Resources Committee of Amy Coote, Russell Hutchins, Anne Rogan and Brian Simpson continued to work with Bendigo Bank to support our Managers and our staff to ensure that they are able to concentrate their efforts into business development. There have been numerous movements amongst the staff team this year requiring a concerted recruitment effort to ensure our culture and skills will drive our Company's success.

The Audit and Governance Committee of Russell Hutchins (Company Secretary), Jason Dwyer (Treasurer), John Nelson, Brian Simpson, Tara O'Brien and Peter Drapac, again continued to provide a governance framework that has ensured robust oversight in all HDCE activities. This committee ensured accurate, timely and relevant financial reporting and analysis, supported in this task by our Bookkeeper, Pam Tremlett. This committee addressed issues related to HDCE property, leases & rentals, and ensured compliance to our franchise agreement.

Marketing and Business Development Committee of Carly Kluge, Tara O'Brien, Jeremy McAuliffe, Nan Caple plus our management team, has continued to ensure that we maximize every opportunity to grow our business in the face of great uncertainty. The committee has re-focussed our sponsorship and grant funding towards the acute needs of our partner organisations and their long term growth and development post the pandemic.

Throughout this year Directors have attended various professional development opportunities, many of them virtual as the restrictions of COVID-19 were introduced.

As a shareholder, feel proud that your Company is seen as mature and well functioning and is held in high regard within the Community Bank network.

In the role as Chair, I am grateful for the support of Deputy Chair Anne Rogan, Company Secretary Russell Hutchins and Treasurer Jason Dwyer along with all Board members. Our Board members contribute generously of their time and of their expertise and together embrace the philosophy of Community Banking and work cooperatively toward achieving our goals.

You can be assured that shareholder interests and values are at the forefront of Board deliberations and decisions on matters affecting the Company.

Our Shareholders

Thank you for your support. You are ambassadors of the Community Bank model and can share the story of the tangible benefits that our local Community Bank branches bring to our community.

Proudly in our 20th year of operation, the Board of Directors has announced a dividend of 4c per share fully franked. This is our 17th successive dividend allocation.

The Board of Directors join me in encouraging those shareholders who are not yet banking with the East Ivanhoe or Heidelberg Community Bank branches of Bendigo Bank that you consider doing so. For those who are enjoying the Community Bank experience, we thank you and encourage you to share this with family and friends.

I look forward to our Annual General Meeting with the shareholders on Monday, 30 November 2020.

Nancy Caple

Chairman

Managers' Report

For the year ended 30 June 2020

This year has been a year unlike any other, in particular the second half where we were faced with unprecedented times. Despite this, our Company had a solid year under the leadership of Haylee Doering, Mark Munro and Syed Zaidi.

One thing remained unchanged - we continued to give back to the communities of Heidelberg, East Ivanhoe and surrounding suburbs. Below are some of the key metrics which underpin the performance of Heidelberg and East Ivanhoe Community Bank branches.

$ 276,264 was given in community contributions to local community groups during this year through our grants and sponsorship programs. Over $3.43 million in community contributions have now been given since opening our doors back in 2001.

Our combined book now totals $365 million in banking business.

Total footings contracted, in part due to Bendigo Bank selling its financial planning business which saw a drop in our footings of $9.2 million. Another impact has been the slowdown in business, particularly lending enquires resulting from the COVID-19 pandemic. During this time banking remained an essential service and our doors stayed open. The focus of the team has been around deepening current customer relationships, onboarding new customers and continuing to develop the pipeline.

The Managers would like to acknowledge the efforts of the Heidelberg and East Ivanhoe staff team, who have remained focused during a particularly challenging year. The team attended many community events in 2019 and continued to provide support for our customers and community groups in 2020 whilst navigating the COVID-19 landscape.

We welcomed four new staff members. Two to East Ivanhoe, Mark Munro - Branch Manager and Jack Mitchell – Customer Service Officer. At Heidelberg, we welcomed Jennifer Ferguson – Customer Service Officer, and supporting both branches is Syed Zaidi our new Mobile Relationship Manager enhancing our capacity to meet customers when and where they desire. All have settled into their respective roles and we look forward to their valued contribution over the coming year. These new team members joined our existing staff members Jo-Ann Downey, Julie Bullen, Adam Greenland, Samantha Dawes, Sylvia Watson, Kerryn Young and Haylee Doering. Over the 2019-2020 year we also farewelled five valued team members; Pooja Nayyar, Omaid Solangi, Carole King, Susan Scroop, and Ashley Wijey.

We thank the Board of Directors who contribute their time and effort to ensuring the success of Heidelberg District Community Enterprise Limited. In addition, we thank you, our shareholders, who enabled the Community Bank enterprise to exist for this community. Lastly, we thank our partner Bendigo and Adelaide Bank for their support as we seek to grow our business and therefore the contribution we inject into our community.

The year ahead presents another challenging environment not only for the banking industry but the economy as a whole. We, as a team, are well prepared to take on these challenges and as always have our customers and community at the heart of everything we do.

We would like to extend our thanks to our customers, shareholders and community groups who have supported us over all these years and encourage you to be our advocates and continue to refer family and friends to us.

Haylee Doering
Branch Manager

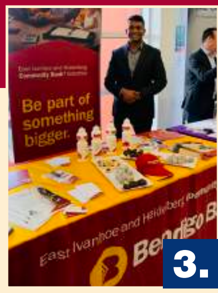
Heidelberg
Community Bank Branch

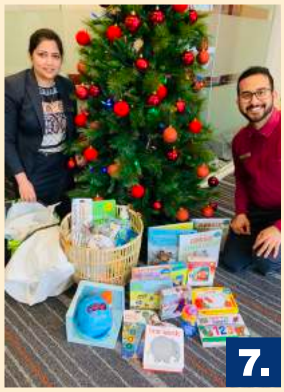
Mark Munro
Branch Manager

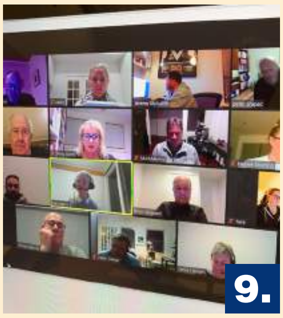
East Ivanhoe
Community Bank Branch

Syed Zaidi
Mobile Relationship Manager

Heidelberg & East Ivanhoe
Community Bank Branches







1. The team at 3081 Angels have been busy preparing meals, winter clothing packages and activities for single parents and their kids during the lockdown. With many of their regular volunteers needing to isolate, they enlisted the services of the Old Eltham Collegians Football Club to deliver the packages to those in need. We donated $4,000 to the Angels for the meal ingredients, as well as the purchase of 10 newborn prams and car seats for distribution.

2. Early on in the first lockdown HDCE provided a grant of $8000 for Araluen to purchase 10 iPads to enable their disabled clients to access their newly developed online programs.

3. In October 2019 HDCE proudly sponsored the Austin Medical Research Week for the 7th year running. Our Mobile Relationship Manager Ashley spoke to many of those involved in research projects throughout the 3 day event held on site at the Austin Hospital.

4. Our support of local sporting clubs continued over the 2019/20 year and our staff distributed bar runners and stubby holders to many of the clubs that have bar facilities.

5. We are now in our third year of supporting the Somali Law Graduate Program which operates out of The West Heidelberg Legal Service. Mohammed Yusuf was the successful candidate and he continues to provide legal advice not only to the local Somali community but also the broader client base of those seeking assistance from the service. This has further strengthened our partnership with the Management team at Banyule Community Health who hosted a morning tea for our team to share the Community Bank story with their staff and volunteers.

6. Big Group Hug provides material support to single and disadvantaged parents – ensuring no child goes without a safe pram, cot, car seat, clothing, formula, nappies and toys. The huge volunteer force that collects, sorts and distributes the items often have small children with them at the storage facility, so HDCE funded the Kids Corner – a safe and stimulating play space for the children of volunteers to play while their parents do their bit for those in need.

7. For our 2019 Christmas Drive our staff did a fabulous job collecting brand new presents for the many kids who receive support from Big Group Hug.

8. The Youth Foundation program continued with our support again this year – the 13th year of this extraordinary partnership that provides opportunities for youth in West Heidelberg to give back to their community.

9. Monthly HDCE Board and Committee Meetings have looked a little different since March as the Board transitioned to online Zoom meetings.

10. HDCE continued to build our strong relationship with the frontline workers at Austin Health, and surprised them at Easter with a special delivery of Lindt bunnies!

11. During these tough times it was great to support the Olympic Village Exodus Community with a grant of $5,500 for their "Housing for the Homeless" project. Br Harry Prout and his team of volunteers have been busy renovating a local house to provide affordable, secure and safe accommodation for people facing homelessness. The grant from HDCE ensured the house could be fully furnished and painted.

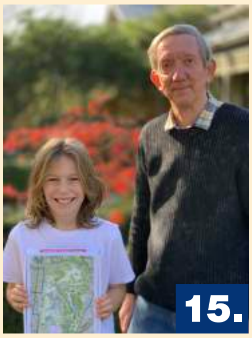
Community Engagements


11.


12.

13.


14.


15.


16.

17.

18.

19.


20.

21.


22.


22.

12. The inaugural Heidelberg Community Pitch was a wonderful way to kick off the 2019/20 financial year in August 2019, as we partnered with a number of other local businesses to distribute $75,000 to 15 local charitable organisations.

13. Our branches continue to support organisations requiring defibrillators, with our most recent donation to the Heidelberg Historical Society. HDCE has now provided 25 life-saving defib units across the local community.

14. In September 2019 the Heidelberg Branch celebrated it's 10th birthday with cake and coffee for our customers.

15. We were thrilled to provide the Darebin Parklands Association with a grant to create hundreds of jigsaw puzzles featuring the Darebin Parklands map to raise funds for their organisation. It also provided lots of families with a great local activity during lockdown.

16. Jo-Ann and Jennifer from our Heidelberg branch proudly delivered our donation of a Nespresso machine to the Austin Health Emergency Department in thanks for the huge job they are doing for our community during the COVID-19 pandemic.

17. Our support of netball continues with sponsorship of both the Parkside and Ivanhoe Netball Clubs. The Parkside Netball Club proudly used our marquee at the 2019 Darebin Tournament.

18. While 2020 has not seen much sport we continued to support our local clubs and are hopeful that the Preston Cricket Club can get back on the pitch soon.

19. Our strong partnership with SALT continues. In 2019 we had an opportunity to attend the SALT Brownlow Breakfast attended by over 500 guests with a speaking opportunity to share our Community Bank story.

20. SALT sessions addressing mental health and wellbeing, positive coaching and resilience have continued to roll out to our local clubs as part of our support for this terrific organisation.

21. Our team swiftly incorporated safety measures into our branches when COVID-19 hit our shores, including the installation of sanitation stands in both of our branches.

22. From early March, HDCE has been regularly supplying the frontline health care team at Austin Health's Emergency Department with bottled water, morning tea provisions and additional PPE to keep them safe.

Bendigo and Adelaide Bank Report

For the year ended 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than $45 million was donated.

Just as the fires had been extinguished and the Bank's Community Enterprise Foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers but also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company directors and shareholders and your branch staff and customers for your continued support throughout the year.

Mark Cunneen

Mark Cunneen

Head of Community Support
Bendigo and Adelaide Bank

Directors' Report

For the year ended 30 June 2020

Your Directors submit the Financial Statements of the Company for the financial year ended 30 June 2020.

Directors

The Directors of the Company who held office during or since the end of the financial year are:

Nancy Louise Caple

Chair and Independent Non–executive Director

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 (Chair), 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), 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 Ivanhoe.
Committee member: Human Resources, 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 13 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: Audit and Governance, Human Resources
Interest in shares: 1,533

Jason Gerard Dwyer

Treasurer and Independent Non–executive Director

Business Banking Leader

Jason has worked for Bendigo Bank across many roles in business finance in key leadership roles across debtor finance, customer experience and equipment finance. He is currently the Small Business regional leader for Eastern Victoria, including Metro and Regional areas. 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 17 years and has recently moved to Northcote.
Committee member: Audit and Governance, Marketing and Business Development
Interest in shares: 5,000

Directors *(continued)*

Peter Richard Drapac

Independent Non–executive Director

Director

Peter has lived in the Heidelberg/Ivanhoe area for most of his life and started his career as a PE and Maths teacher. He has owned several businesses in health, retail, manufacturing, financial services and education. Peter holds a Bachelor of Applied Science, Bachelor of Business (Distinction), Diploma of Auditing, Advanced Diploma of Conveyancing and a Diploma of Education.
Committee member: Audit and Governance as Property Specialist
Interest in shares: 500

Anne Marie Rogan

Deputy Chair and 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. Anne lives locally.
Committee member: Human Resources
Interest in shares: Nil

Amy Louise Coote

Independent Non–executive Director

National Fundraising & Engagement Manager

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: Human Resources (Chair), Marketing and Business Development
Interest in shares: Nil

Jeremy McAuliffe

Independent Non–executive director (appointed 31 October 2019)

Consultant

Jeremy has over 30 years experience in Community sector organisations in operational and executive roles. He currently operates a consulting business that provides governance, compliance and operational support to Aged Care providers. Jeremy has lived in Ivanhoe and Heidelberg for 25 years and is a life member of two local sporting clubs.
Committee member: Marketing and Business Development
Interest in shares: Nil

Tara O'Brien

Independent Non–executive director (appointed 21 January 2020)

Student

Tara was involved in the Bendigo Bank Future Director program for two years. She is currently completing her Bachelor of Laws and Bachelor of Commerce, majoring in Accounting. She grew up and continues to live locally. She previously acted as student representative on her Secondary School's Board.
Committee member: Audit and Governance, Marketing and Business Development.
Interest in shares: Nil

Directors *(continued)*

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

No Directors have material interest 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 activity

The principal activity of the Company during the financial year was facilitating Community Bank services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results

Operations of the Company have performed slightly below expectations, in what continues to be subdued economic conditions. The profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2020 $	Year ended 30 June 2019 $
237,705	236,792

Operating and Financial Review

Overview of the Company

The Company is a franchisee of Bendigo Bank providing financial products and services to individuals, businesses and organisations throughout the local area via the East Ivanhoe and Heidelberg Community Bank branches and a mobile presence. The branches offer the full suite of Bendigo Bank products and services, however margin earnings from firstly loans and then deposits are the predominant contributors to Company results.

The general nature of the business market for the Company remains challenging and issues commented upon for the prior three financial years continue to persist. The Company continues to operate under historically low cash rates set by the Reserve Bank of Australia that have resulted in a corresponding decline in interest paid on deposit accounts, continuing the trend of lower than anticipated margins for this product group. Moreover, the market competition for home and other loans has made it difficult to achieve budgeted targets. The Company continues to actively pursue new customers and promote product offerings to offset the intense competition from major financial service providers in the marketplace.

Operating and Financial Review *(continued)*

Key metrics

Five year summary of performance	Unit	2020	2019	2018	2017	2016
Operating revenue	$	2,183,655	2,519,346	2,494,759	2,342,173	2,200,696
Earnings before interest, tax, depreciation, and amortisation	$	606,616	402,164	509,634	482,578	175,508
Earnings before interest and tax	$	375,596	329,723	440,986	415,724	103,764
Net profit after tax	$	237,705	236,792	319,675	301,632	70,236
Total assets	$	3,537,408	3,124,437	2,948,223	2,476,130	2,211,095
Total liabilities	$	1,096,758	414,739	314,430	247,350	168,758
Total equity	$	2,440,650	2,709,698	2,633,793	2,228,780	2,042,337
Net cash flow from operating activities	$	575,164	258,343	338,435	455,560	96,473
Business footings [1 and 2]	$	365 million	401 million	386 million	357 million	340 million

Shareholder returns

Profit attributable to owners of the Company	$	237,705	236,792	319,675	301,362	70,236
Basic earnings per share	¢	10.34	10.30	13.91	13.11	3.06
Dividends paid	¢	172,379.00	160,887.00	137,903.00	114,919.00	114,919.00
Dividends per share	¢	7.50	7.00	6.00	5.00	5.00
Net tangible assets per share	¢	101.00	107.00	109.00	94.00	84.00
Price earnings ratio	¢	10.34	10.30	13.91	13.11	3.06
Share price	¢	75.00	75.00	75.00	85.00	85.00

1. This is a non–IFRS measure of the business domiciled to the Company from the franchisor. The footings is the underlying business which generates revenue under the franchise agreement. Business footings include loans, deposits, wealth products (up until 2019), and other business.
2. The sale of Bendigo Bank's Wealth business during the financial year resulted in a $9m reduction in the Company's footings in 2020.

Returns to shareholders increased through payment of higher dividends. Dividends for 2020 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Financial position

The Company marginally improved profitability for the financial year ended 30 June 2020 despite lower revenues. The financial position of the Company remains strong. Business development and containment of costs during a period of lower margins remains a strong focus.

The cash and cash equivalents position of the Company improved for the reporting year from $1,115,999 for a year–end balance of $1,316,282.

Operating and Financial Review *(continued)*

The Company maintains a resilient balance sheet, ending June 2020 with net assets of $2,440,650 and net debt (including leases) of just $1,384.

The Company does not actively gear its operations, however, as a result of adopting AASB 16 Leases from 1 July 2019, lease liabilities of $533,850 are now reported on the balance sheet.

Drivers of business performance

The results for the 2019/20 financial year reflect a decline in mortgage lending. Net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia.

In addition, COVID–19 resulted in mandatory quarantine in the second half of the financial year. The immediate impact is not significant in the current reporting results. Future reporting periods may see an increase in bad debt charges and further subdued economic conditions generally.

Business strategies

To address the current stage of development of the business and in recognition of the current financial circumstances, both in the economy and the observed impact upon the Bendigo Bank profit share model, the Board has determined to continue the focus upon five broad directions:

1. Strengthening the connection and level of engagement between important stakeholders and partners.
2. Strengthening the Directors' role in the business structure and key customer and community segments.
3. Defining the future Board skill and diversity mix and a structure that will deliver the Strategic Plan.
4. Focussing the business on the most profitable growth opportunities using the Company's own local marketing plans.
5. Leveraging Bendigo Bank's trusted brand and the goodwill generated by the Community Bank model.

Future outlook

The Company believes there are opportunities to develop additional revenue through:

1. Acquiring additional customers through greater community based events and a focus on local businesses.
2. Improving the range and number of products and services for each customer.

The Company anticipates that current market conditions will remain challenging during the forthcoming financial year. In this environment the Company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability.

Remuneration Report

Remuneration policy

The remuneration policy of Heidelberg District Community Enterprise 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.

Remuneration Report *(continued)*

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.

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 Bank.

Company performance

The key metrics table above shows the gross revenue, profits and dividends for the last 5 years for the Company, as well as the share prices at the end of the respective financial years. Whilst revenue (other than in 2020) 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 5 years has not been reflected in the Company's share price, albeit that in recent years dividends have been maintained or increased. In 2020, the Company decided not to maintain the same level of contributions to the Community Enterprise Foundation, as the Company already had sufficient funds in the Community Enterprise Foundation to cover its grants program.

Remuneration includes compulsory superannuation for the financial year ended 30 June 2020. Fees paid to Directors recognise the demands placed on, and the responsibilities of, Directors. Directors' fees are determined by the Board. The fees for the Chairman, Secretary and Treasurer are determined separately to the other Directors.

Remuneration Report *(continued)*

Non–executive Director remuneration

	2020 $
Nancy Louise Caple	4,380
Russell James Hutchins	5,475
Brian Thomas Simpson	3,285
John Kenneth Nelson	3,285
Jason Gerard Dwyer	5,475
Peter Richard Drapac	3,285
Anne Marie Rogan	3,285
Amy Louise Coote	3,285
Jeremy McAuliffe *(appointed 31 October 2019)*	1,643
Tara O'Brien *(appointed 21 January 2020)*	1,643
	35,041

Directors' shareholdings

	Fully paid ordinary shares		
	Balance at start of the year	**Changes during the year**	**Balance at end of the 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	-	500	500
Anne Marie Rogan	-	-	-
Amy Louise Coote	-	-	-
Jeremy McAuliffe	-	-	-
Tara O'Brien	-	-	-

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

Remuneration Report *(continued)*

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	7.5	172,379
Total amount	**7.5**	**172,379**

New Accounting Standards implemented

The Company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID–19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID–19 pandemic. The relief support and uncertain economic conditions has not materially impacted the Company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the Company's operations.

In the opinion of the Directors there were no other 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

Since the end of the financial year, Melbourne has entered into Stage 4 COVID–19 restrictions, significantly suppressing the general economy and expected to detrimentally impact the 2021 results. There are no other 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.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) attended by each of the Directors of the Company during the financial year were:

Directors' meetings *(continued)*

	Board Meetings Attended		Committee Meetings Attended: Audit and Governance		Human Resources		Marketing and Business Development	
	E	A	E	A	E	A	E	A
Nancy Louise Caple	11	10	-	-	6	5	10	9
Russell James Hutchins	11	10	7	7	16	13	-	-
Brian Thomas Simpson	11	9	7	6	16	12	-	-
John Kenneth Nelson	11	9	7	4	6	5	-	-
Jason Gerard Dwyer	11	8	7	6	-	-	2	1
Peter Richard Drapac	11	10	-	-	-	-	-	-
Anne Marie Rogan	11	10	-	-	16	11	-	-
Amy Louise Coote	11	8	-	-	16	14	2	1
Jeremy McAuliffe	7	6	-	-	-	-	5	3
Tara O'Brien	5	5	3	3	-	-	5	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 note 29 to the accounts.

The Board of Directors has considered the non–audit services provided during the year by the Auditor and, in accordance with the advice received from the Audit and Governance Committee, is satisfied that the provision of the non–audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the

- all non–audit services have been reviewed by the Audit and Governance Committee to ensure they do not impact on the impartiality, integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Ivanhoe, Victoria.

Russell James Hutchins, Director
Dated this 24th day of September 2020

Auditor's Independence Declaration

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of Heidelberg District Community Enterprise Limited for the year ended 30 June 2020, 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: 24 September 2020

Graeme Stewart
Lead Auditor

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	2,183,655	2,419,872
Other revenue	9	142,820	76,477
Finance income	10	17,973	22,997
Employee benefit expenses	11c)	(991,829)	(967,911)
Advertising and marketing expenses		(159,366)	(155,394)
Occupancy and associated costs		(86,031)	(304,675)
Systems costs		(104,037)	(106,041)
Depreciation and amortisation expense	11a)	(231,020)	(72,441)
Finance costs	11b)	(64,654)	(154)
General administration expenses		(233,655)	(238,666)
Profit before grants and sponsorships		**473,856**	**(674,064)**
Grants and sponsorships		(162,914)	(344,495)
Profit before income tax expense		**310,942**	**329,569**
Income tax expense	12a)	(73,237)	(92,777)
Profit after income tax expense		**237,705**	**236,792**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**237,705**	**236,792**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	32a)	10.34	10.30

The accompanying Notes form part of these Financial Statements

Statement of Financial Position

as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,316,282	1,115,999
Trade and other receivables	14a)	180,100	237,068
Current tax asset	18a)	-	14,140
Total current assets		**1,496,382**	**1,367,207**
Non-current assets			
Property, plant and equipment	15a)	1,550,877	1,622,301
Right-of-use assets	16a)	369,549	-
Intangible assets	17a)	101,239	134,929
Deferred tax asset	18b)	19,361	-
Total non-current assets		**2,041,026**	**1,757,230**
Total assets		**3,537,408**	**3,124,437**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	115,065	103,047
Current tax liabilities	18a)	18,506	-
Loans and borrowings	20a)	1,384	1,320
Lease liabilities	21b)	180,252	-
Employee benefits	23a)	81,233	62,835
Total current liabilities		**396,440**	**167,202**
Non-current liabilities			
Trade and other payables	19b)	86,295	124,729
Lease liabilities	21c)	533,850	-
Employee benefits	23b)	186	8,927
Provisions	22a)	79,987	-
Deferred tax liability	18b)	-	113,881
Total non-current liabilities		**700,318**	**247,537**
Total liabilities		**1,096,758**	**414,739**
Net assets		**2,440,650**	**2,709,698**
EQUITY			
Issued capital	24a)	1,641,165	1,641,165
Reserves	25b)	295,301	295,301
Retained earnings	26	504,184	773,232
Total equity		**2,440,650**	**2,709,698**

The accompanying Notes form part of these Financial Statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued Capital	Retained Earnings	Reserve	Total Equity
		$	$	$	$
Balance at 1 July 2018		**1,641,165**	**295,301**	**697,327**	**2,633,793**
Total comprehensive income for the year		-	-	236,792	236,792
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(160,887)	(160,887)
Balance at 30 June 2019		**1,641,165**	**295,301**	**773,232**	**2,709,698**
Balance at 1 July 2019		**1,641,165**	**295,301**	**773,232**	**2,709,698**
Effect of AASB 16: Leases	3d)	-	-	(334,374)	(334,374)
Restated balance at 1 July 2019		1,641,165	295,301	438,858	2,375,324
Total comprehensive income for the year		-	-	237,705	237,705
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(172,379)	(172,379)
Balance at 30 June 2020		**1,641,165**	**295,301**	**504,184**	**2,440,650**

The accompanying Notes form part of these Financial Statements

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,598,365	2,766,293
Payments to suppliers and employees		(1,881,439)	(2,408,287)
Interest received		18,315	23,970
Interest paid		(14,230)	(154)
Lease payments (interest component)	11b)	(47,629)	-
Lease payments not included in the measurement of lease liabilities	11d)	(51,218)	-
Income taxes paid		(47,000)	(123,479)
Net cash provided by operating activities	27	**575,164**	**258,343**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(17,634)
Payments for intangible assets		(26,150)	-
Net cash used in investing activities		**(26,150)**	**(17,634)**
Cash flows from financing activities			
Lease payments (principal component)	21a)	(176,352)	
Dividends paid	31a)	(172,379)	(160,887)
Net cash used in financing activities		**(348,731)**	**(160,887)**
Net cash increase in cash held		**200,283**	**79,822**
Cash and cash equivalents at the beginning of the financial year		1,115,999	1,036,177
Cash and cash equivalents at the end of the financial year	13a)	**1,316,282**	**1,115,999**

The accompanying Notes form part of these Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2020

Note 1. Reporting entity

This is the Financial Report for Heidelberg District Community Enterprise Limited (the Company). The Company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal places of business are:

Registered Office
233-235 Lower Heidelberg Road
Ivanhoe East VIC 3079

Principal Places of Business
233-235 Lower Heidelberg Road
Ivanhoe East VIC 3079

164 Burgundy Street
Heidelberg VIC 3084

Further information on the nature of the operations and principal activity of the Company is provided in the Directors' Report. Information on the Company's related party relationships is provided in Note 30.

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Financial Statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The Financial Statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These Financial Statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 24 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

The Company initially applied AASB 16 Leases from 1 July 2019. AASB Interpretation 23 Uncertainty over Income Tax Treatments is also effective from 1 July 2019 but is not expected to have a material impact on the Company's Financial Statements. The Company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The Company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.

On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

For the year ended 30 June 2020

Note 3. Changes in accounting policies, standards and interpretations *(continued)*

b) As a lessee

As a lessee, the Company leases assets including property and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Company. Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Leases classified as operating leases under AASB 117

Previously, the Company classified property and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the Company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The Company leases out its owned property. The Company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

d) Impact on financial statements

On transition to AASB 16, the Company recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised on the following page.

For the year ended 30 June 2020

Note 3. Changes in accounting policies, standards and interpretations *(continued)*

Impact on equity presented as decrease	**Note**	**1 July 2019 $**
Asset		
Right-of-use assets - land and buildings	16b)	849,487
Deferred tax asset	18b)	126,832
Liability		
Lease liabilities	21a)	(1,242,090)
Provision for make-good	22b)	(68,603)
Equity		
Retained earnings		**(334,374)**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.00%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	560,207
Add: additional options now expected to be exercised	837,835
Add: variable market review / index based increase	13,675
Less: present value discounting	(169,627)
Lease liability as at 1 July 2019	**1,242,090**

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these Financial Statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

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

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

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 Revenue from Contracts with Customers (AASB 15), revenue recognition for the Company's revenue stream is as follows:

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

All revenue is stated net of the amount of 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 Bank decides the form of revenue the Company earns on different types of products and services.

The revenue earned by the Company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

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 Bank for a deposit,
- minus any costs of funds i.e. interest applied to fund a loan.

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

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the Company has fulfilled its performance obligation.

The Company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the Company, and is a significant judgement area.

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.

Core banking products

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

Ability to change financial return

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

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Company receives on a particular product or service. The effect of the change on the revenue earned by the Company is entirely dependent on the change.

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

b) Other revenue

The Company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

Revenue stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also “Market Development Fund” or “MDF” income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the Company.

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

The payments from Bendigo Bank are discretionary and it may change the amount or stop making them at any time. The Company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

During the financial year, in response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the Company’s obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the Company improves.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

c) Economic dependency – Bendigo Bank

The Company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The Company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The Directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and protocols
- 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.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

d) Employee benefits *(continued)*

Defined superannuation contribution plans

The Company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Current income tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

e) Taxes *(continued)*

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.

- when 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 Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

g) Property, plant and equipment *(continued)*

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Building	Straight–line	40 years
Leasehold improvements	Straight–line	5 to 15 years
Plant and equipment	Straight–line	2 to 10 years
Motor vehicles	Straight–line	3 to 8 years

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

h) Intangible assets

Intangible assets of the Company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

h) Intangible assets *(continued)*

Asset class	Method	Useful life
Franchise establishment fee	Straight–line	Over the franchise term
Franchise fee	Straight–line	Over the franchise term
Franchise renewal process fee	Straight–line	Over the franchise term

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings, leases.

Sub-note i) and j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

• Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the Company enters into transactions where it transfers assets recognised in the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

The Company recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of 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

The Company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the Company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the Company. The Company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial asset

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

k) Issued capital

Ordinary shares

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.

l) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The Company is required to restore the leased premises to their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

<u>As a lessee</u>

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the Company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the costs of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<u>Short-term leases and leases of low-value assets</u>

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

<u>As a lessor</u>

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

For the year ended 30 June 2020

Note 4. Summary of significant accounting policies *(continued)*

n) Fair value measurement *(continued)*

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a property on initial recognition is the transaction price - i.e. the fair value of the consideration given or received.

o) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the Company's Financial Statements.

Note 5. Significant accounting judgements, estimates, and assumptions

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

Note	Judgement
Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
Note 21 - leases:	
a) control	whether a contract is or contains a lease at inception by assessing whether the Company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	whether the Company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	judgement is required to determine the discount rate, where the discount rate is the Company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the Company and underlying asset including: – the amount; – the lease term; – economic environment; and – other relevant factors.

For the year ended 30 June 2020

Note 5. Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
Note 8 – revenue recognition	estimate of expected returns
Note 18 – recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried–forward tax losses can be utilised
Note 15 – estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset
Note 23 – long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation
Note 22 – make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement

c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 - Property, plant and equipment;
- Note 28 - Financial instruments

Note 6. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

For the year ended 30 June 2020

Note 6. Financial risk management *(continued)*

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 Company. The Company does not use derivative instruments.

Risk management is carried out directly by the Board of Directors

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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

b) Liquidity risk

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

The Company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020				
	Contractual cash flows			
Non-derivative financial liability	**Carrying amount**	**Not later than 12 months**	**Between 12 months and five years**	**Greater than five years**
Bank loans	1,384	1,384	-	-
Lease liabilities	714,102	205,071	547,200	34,200
Trade payables	9,678	9,678	-	-
	725,164	**216,133**	**547,200**	**34,200**

30 June 2019				
	Contractual cash flows			
Non-derivative financial liability	**Carrying amount**	**Not later than 12 months**	**Between 12 months and five years**	**Greater than five years**
Bank loans	1,300	1,320	-	-
Trade payables	8,425	8,425	-	-
	9,745	**9,745**	**-**	**-**

For the year ended 30 June 2020

Note 6. Financial risk management *(continued)*

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank 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 Bank mitigates this risk significantly.

The Company held cash and cash equivalents of $1,316,282 at 30 June 2020 (2019: $1,115,999). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the Company 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 Company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of grants and sponsorship. Grants and sponsorship paid for the year ended 30 June 2020 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.

For the year ended 30 June 2020

Note 8. Revenue from contracts with customers

The Company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The Company is entitled to a share of the margin earned by Bendigo Bank.

Revenue from contracts with customers

Revenue:	**2020 $**	**2019 $**
Revenue from contracts with customers	2,183,655	2,419,872
	2,183,655	**2,419,872**

Disaggregation of revenue from contracts with customers

At a point in time:	**2020 $**	**2019 $**
Margin income	1,933,936	2,159,752
Fee income	127,603	126,480
Commission income	122,116	133,640
	2,183,655	**2,419,872**

There was no revenue from contracts with customers recognised over time during the financial year.

Note 9. Other revenue

The Company generates other sources of revenue from rental income from owned properties, cash flow boost from the Australian Government and discretionary contributions received from the franchisor.

Other revenue

Revenue:	**2020 $**	**2019 $**
Rental income	58,720	56,477
Market development fund income	20,000	20,000
Cash flow boost	62,500	-
Other income	1,600	-
	142,820	**76,477**

For the year ended 30 June 2020

Note 10. Finance income

The Company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

Finance income

At amortised cost:	2020 $	2019 $
Term deposits	17,973	22,997
	17,973	**22,997**

Note 11. Expenses

a) Depreciation and amortisation expense

Depreciation of non–current assets:	2020 $	2019 $
Buildings	18,563	18,563
Leasehold improvements	37,486	13,722
Plant and equipment	7,385	6,859
Motor vehicles	7,990	7,990
	71,424	**47,134**

Depreciation of right-of-use assets	2020 $	2019 $
Leased land and buildings	136,894	–
	136,894	**-**

Amortisation of intangible assets:	2020 $	2019 $
Franchise fee	4,031	4,599
Franchise renewal process fee	18,671	20,708
	22,702	**25,307**
Total depreciation and amortisation expense	**231,020**	**72,441**

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the Company's accounting policy (see Note 4g and 4h).

For the year ended 30 June 2020

Note 11. Expenses *(continued)*

b) Finance costs

Finance costs:	Note	2020 $	2019 $
Bank loan interest paid or accrued		14,230	154
Lease interest expense	21a)	47,629	-
Unwinding of make-good provision		2,795	-
		64,654	**154**

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Employee benefit expenses

Employee benefit expenses:	2020 $	2019 $
Wages and salaries	799,633	812,307
Non-cash benefits	7,854	3,303
Contributions to defined contribution plans*	103,279	82,054
Expenses related to long service leave	(7,655)	(32,549)
Other expenses	88,718	102,796
	991,829	**967,911**

*During the financial year the Company undertook a review of historical superannuation obligations on Director fees paid. Upon assessment it was found that unpaid superannuation on Director fees from 2010 to 2019 amassed to $41,067.35 including $14,150.96 interest. The amount has been recognised as an accrued liability as at 30 June 2020.

d) Recognition exemption

The Company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	51,218	–
	51,218	**-**

Expenses relating to leases exempt from recognition are included in systems costs.

The Company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

For the year ended 30 June 2020

Note 12. Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss

Current tax expense	2020 $	2019 $
Current tax	79,646	77,640
Movement in deferred tax	(134,358)	15,137
Adjustment to deferred tax on AASB 16 retrospective application	126,832	-
Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,117	-
	73,237	**92,777**

Progressive changes to the Company tax rate have been enacted. Consequently, as of 1 July 2020, the Company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $1,117 related to the remeasurement of deferred tax assets and liabilities of the Company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit before taxation	310,942	329,569
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	85,509	90,631
Tax effect of:		
Non-deductible expenses	3,798	2,146
Temporary differences	7,527	(15,137)
Other assessable income	(17,188)	-
Movement in deferred tax	(134,358)	15,137
Leases initial recognition	126,832	-
Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,117	-
	73,237	**92,777**

For the year ended 30 June 2020

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
Cash at bank and on hand	386,032	55,749
Term dep	930,250	1,060,250
	1,316,282	**1,115,999**

Note 14. Trade and other receivables

a) Current assets

	2020 $	2019 $
Trade receivables	141,402	181,050
Prepayments	26,157	43,136
Other receivables and accruals	12,541	12,882
	180,100	**237,068**

Note 15. Property, plant and equipment

a) Carrying amounts

Land	2020 $	2019 $
At fair value	607,500	607,500
	607,500	**607,500**
Buildings		
At fair value	742,500	742,500
Less accumulated depreciation	(37,126)	(18,563)
	705,374	**723,937**
Leasehold improvements		
At cost	506,537	506,537
Less accumulated depreciation	(308,862)	(271,376)
	197,675	**235,161**
Plant and equipment		
At cost	113,328	113,328
Less accumulated depreciation	(94,452)	(87,067)
	18,876	**26,261**

For the year ended 30 June 2020

Note 15. Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

Motor vehicles	2020 $	2019 $
At cost	39,950	39,950
Less accumulated depreciation	(18,498)	(10,508)
	21,452	**29,442**
Total written down amount	**1,550,877**	**1,622,301**

The Directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The Directors therefore believe the carrying amount is not impaired.

b) Reconciliation of carrying amounts

Land	2020 $	2019 $
Carrying amount at beginning	607,500	607,500
Carrying amount at end	**607,500**	**607,500**
Buildings		
Carrying amount at beginning	723,937	742,500
Depreciation	(18,563)	(18,563)
Carrying amount at end	**705,374**	**723,937**
Leasehold improvements		
Carrying amount at beginning	235,161	248,883
Depreciation	(37,486)	(13,722)
Carrying amount at end	**197,675**	**235,161**
Plant and equipment		
Carrying amount at beginning	26,261	15,486
Additions	-	17,634
Depreciation	(7,385)	(6,859)
Carrying amount at end	**18,876**	**26,261**
Motor vehicles		
Carrying amount at beginning	29,442	37,432
Depreciation	(7,990)	(7,990)
Carrying amount at end	**21,452**	**29,442**
Total written down amount	**1,550,877**	**1,622,301**

For the year ended 30 June 2020

Note 15. Property, plant and equipment *(continued)*

c) Changes in estimates

During the financial year, the Company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.
The Company's review resulted in changes in the useful life of leasehold improvements.

d) Fair value hierarchy

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.

The Directors do not believe there has been a significant change in the assumptions as at balance date. The Directors therefore believe the carrying amount of the land and buildings reflects its fair value as at 30 June 2020.

The fair value measurement has been categorised as a Level 2 fair value based on the valuation technique used. The Directors have reviewed the values and noted the carrying amount is not materially different.

Note 16. Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The Company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

a) Carrying amounts

Leased land and buildings	Note	2020 $	2019 $
At cost		2,221,632	-
Less accumulated depreciation		(1,852,083)	-
Total written down amount		**369,549**	**-**

b) Reconciliation of carrying amounts

Leased land and buildings	Note	2020 $	2019 $
Initial recognition on transition	3d)	849,487	-
Remeasurement adjustments		(343,044)	
Depreciation		(136,894)	
Carrying amount at end		**369,549**	**-**
Total written down amount		**369,549**	**-**

For the year ended 30 June 2020

Note 17. Intangible assets

a) Carrying amounts

Franchise fee	2020 $	2019 $
At cost	72,241	72,241
Less accumulated depreciation	(53,746)	(49,715)
	18,495	**22,526**
Franchise establishment fee		
At cost	70,000	70,000
Less accumulated amortisation	70,000	70,000
	-	**-**
Franchise renewal process fee		
At cost	231,389	242,377
Less accumulated amortisation	(148,645)	(129,974)
	82,744	**112,403**
Total written down amount	**101,239**	**134,929**

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	22,526	5,151
Additions	-	21,974
Amortisation	(4,031)	(4,599)
Carrying amount at end	**18,495**	**22,526**
Franchise renewal process fee		
Carrying amount at beginning	112,403	23,247
Additions	-	109,864
Disposals	(10,988)	-
Amortisation	(18,671)	(20,708)
Carrying amount at end	**82,744**	**112,403**
Total written down amount	**101,239**	**134,929**

For the year ended 30 June 2020

Note 17. Intangible assets *(continued)*

c) Changes in estimates

During the financial year, the Company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

Note 18. Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable/(refundable)	18,506	(14,140)

b) Deferred tax

Movement in the Company's deferred tax balances for the year ended 30 June 2020:

Deferred tax assets	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
	$	$	$	$
- expense accruals	1,622	(582)	-	1,040
- employee provisions	19,735	12,111	-	31,846
- make-good provision	-	1,931	18,866	20,797
- lease liability	-	(155,908)	341,575	185,667
Total deferred tax assets	**21,357**	**(142,448)**	**360,441**	**239,350**

Deferred tax liabilities				
	$	$	$	$
- income accruals	1,206	(155)	-	1,051
- property, plant and equipment	134,032	(11,176)	-	122,856
- right-of-use assets	-	(137,527)	233,609	96,082
Total deferred tax assets	**135,238**	**(148,858)**	**233,609**	**219,989**
Net deferred tax assets (liabilities)	**(113,881)**	**6,410**	**126,832**	**19,361**

For the year ended 30 June 2020

Note 18. Tax assets and liabilities *(continued)*

b) Deferred tax *(continued)*

Movement in the Company's deferred tax balances for the year ended 30 June 2019:

Deferred tax assets	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
	$	$	$	$
- expense accruals	1,017	605	-	1,622
- employee provisions	33,279	(13,544)	-	19,735
Total deferred tax assets	**34,296**	**(12,939)**	**-**	**21,357**
Deferred tax liabilities				
	$	$	$	$
- income accruals	1,474	(268)	-	1,206
- property, plant and equipment	131,566	2,466	-	134,032
Total deferred tax liabilities	**133,040**	**2,198**	**-**	**135,238**
Net deferred tax assets (liabilities)	**(98,744)**	**(15,137)**		**(113,881)**

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The Company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 19. Trade creditors and other payables

Where the Company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities

	2020 $	2019 $
Trade creditors	9,678	8,425
Other creditors and accruals	105,387	94,622
	115,065	**103,047**

b) Non-current liabilities

Other creditors and accruals	86,295	124,729
	86,295	**124,729**

For the year ended 30 June 2020

Note 20. Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Secured bank loans	1,384	1,320
	1,384	**1,320**

b) Terms and repayment schedule

			30 June 2020		30 June 2019	
	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.9%	2023	1,384	1,384	1,320	1,320

Note 21. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.00%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The Company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio

The Company's lease portfolio includes:

- East Ivanhoe Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in April 2001. An extension option term of five years was exercised in April 2006, April 2011 and April 2016. The Board is currently assessing its final lease renewal option.
- Heidelberg Branch — The lease agreement is a non-cancellable lease which commenced in July 2009. An extension option term of three years was exercised in September 2019. The lease has one further three year extension option available. The Board is currently assessing its lease renewal option.

The Company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the Company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the Company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised lease premises.

For the year ended 30 June 2020

Note 21. Lease liabilities *(continued)*

a) Lease liability measurement *(continued)*

Lease liabilities on transition	Note	2020 $	2019 $
Initial recognition on AASB 16 transition	3d)	1,242,090	-
Remeasurement adjustments		(351,636)	-
Lease payments - interest		47,629	-
Lease payments		(223,981)	-
		714,102	**-**

b) Current lease liabilities

Property lease liabilities		205,071	-
Unexpired interest		(24,819)	
		180,252	**-**

c) Non-current lease liabilities

Property lease liabilities		581,400	-
Unexpired interest		(47,550)	
		533,850	**-**

d) Maturity analysis

- Not later than 12 months		205,071	-
- Between 12 months and 5 years		547,200	
- Greater than 5 years		34,200	
Total undiscounted lease payments		**786,471**	
Unexpired interest		(72,369)	
Present value of lease liabilities		**714,102**	

e) Impact on the current reporting period

During the financial year, the Company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $26,580.

For the year ended 30 June 2020

Note 21. Lease liabilities *(continued)*

e) Impact on the current reporting period *(continued)*

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	223,981	(223,981)	-
- Depreciation and amortisation expense	-	136,894	136,894
- Finance costs	-	50,424	50,424
	223,981	**(36,663)**	**187,318**
Decrease in expenses - before tax			
- Income tax expense / (credit) - current	(61,595)	61,595	-
- Income tax expense / (credit) - deferred	-	(51,512)	(51,512)
Decrease in expenses - after tax	**162,386**	**(26,580)**	**135,806**

Note 22. Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities

	2020 $	2019 $
Make-good on leased premises	79,987	-
	79,987	**-**

b) Make-good provision

In accordance with the branch lease agreements, the Company must restore the leased premises to their original condition before the expiry of the lease term.

The Company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 $	2019 $
Face-value of make-good costs recognised	3d)	89,000	-
Present value discounting	3d)	(20,397)	-
Present value unwinding		2,795	-
Provision remeasurements		8,589	-
		79,987	**-**

For the year ended 30 June 2020

Note 22. Provisions *(continued)*

c) Changes in estimates

During the financial year, the Company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

In addition, during the financial year, the Company has re-assessed the estimates and assumptions. The Company has prepared further detailed estimates of the expected future costs, the discount rate used in recognising the present value, and the passage of time until settlement has now been extended following the reasonable expectation of exercising an additional lease option.

The lease for the East Ivanhoe branch is due to expire on 31 March 2021, while the lease for the Heidelberg branch is due to expire on 30 September 2025 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23. Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	46,687	32,633
Provision for long service leave	34,546	30,202
	81,233	**62,835**

b) Non-current liabilities		
Provision for long service leave	186	8,927
	186	**8,927**

c) Key judgement and assumptions

Employee attrition rates

The Company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 24. Issued capital

a) Issued capital	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid - East Ivanhoe	473,010	473,010	473,010	473,010
Bonus shares - fully paid (3:1)	625,376	-	625,376	-
Ordinary shares - fully paid - Heidelberg	1,200,000	1,200,000	1,200,000	1,200,000
Less equity raising costs	-	(31,845)	-	(31,845)
	2,298,386	**1,641,165**	**2,298,386**	**1,641,165**

For the year ended 30 June 2020

Note 24. Issued capital *(continued)*

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

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

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 206. As at the date of this report, the Company had 439 shareholders (2019: 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.

For the year ended 30 June 2020

Note 24. Issued capital *(continued)*

Prohibited shareholding interest (continued)

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

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 25. Reserves

a) Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment and investment properties.

b) Disaggregation of reserve balances, net of tax

Reserves for the period ended 30 June 2020	**Fair value reserve $**	**Revaluation reserve $**	**Total $**
Balance at beginning of reporting period	295,301	-	295,301
Balance at end of reporting period	**295,301**	**-**	**295,301**

Reserves for the period ended 30 June 2019	**Fair value reserve $**	**Revaluation reserve $**	**Total $**
Balance at beginning of reporting period	295,301	-	295,301
Balance at end of reporting period	**295,301**	**-**	**295,301**

Note 26. Retained earnings

	Note	**2020 $**	**2019 $**
Balance at beginning of reporting period		773,232	697,327
Adjustment for transition to AASB 16	3d)	(334,374)	-
Net profit after tax from ordinary activities		237,705	236,792
Dividends provided for or paid	31a)	(172,379)	(160,887)
Balance at end of reporting period		**504,184**	**773,232**

For the year ended 30 June 2020

Note 27. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	237,705	236,792
Adjustments for:		
- Depreciation	71,424	47,134
- Amortisation	22,702	25,307
- AASB16 depreciation	136,894	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	56,968	(5,221)
- (Increase)/decrease in other assets	121,613	(14,140)
- Increase/(decrease) in trade and other payables	10,781	34,284
- Increase/(decrease) in employee benefits	9,657	(49,251)
- Increase/(decrease) in provisions	2,795	-
- Increase/(decrease) in tax liabilities	(95,375)	(16,562)
Net cash flows provided by operating activities	**575,164**	**258,343**

Note 28. Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets	Note	2020 $	2019 $
Trade and other receivables	14	180,100	237,068
Cash and cash equivalents	13	386,032	55,749
Term deposits	13	930,250	1,060,250
		1,496,382	**1,353,067**
Financial liabilities			
Trade and other payables	19	115,065	103,047
Secured bank loans	20	1,384	1,320
Lease liabilities	21	714,102	-
		830,551	**104,367**

For the year ended 30 June 2020

Note 29. Auditor's remuneration

Amount received or due and receivable by the Auditor of the Company for the financial year

Audit and review services	2020 $	2019 $
- Audit and review of financial statements	5,900	5,700
	5,900	**5,700**
Non audit services		
- Taxation advise and tax compliance services	1,500	1,810
- General advisory services	4,610	3,230
- Share buy-back consultancy	300	-
- Share registry services	3,853	-
	10,263	**5,040**
Total Auditor's remuneration	**16,163**	**10,740**

Note 30. Related parties

a) Details of Director personnel

The Directors of the Company during the financial year were:

Nancy Louise Caple	Peter Richard Drapac
Russell James Hutchins	Anne Marie Rogan
Brian Thomas Simpson	Amy Louise Coote
John Kenneth Nelson	Jeremy McAuliffe
Jason Gerard Dwyer	Tara O'Brien

b) Director compensation

Director compensation comprised the following.	2020 $	2019 $
Director benefits	35,041	33,500
	35,041	33,500

Compensation of the Company's Director personnel includes salaries and contributions to a defined contribution plan.

c) Related party transactions

No director or related entity has entered into a material contract with the Company.

Community Bank Directors' Privileges Package

The Board has not adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders.

For the year ended 30 June 2020

Note 31. Dividends provided for or paid

a) Dividends paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Cash Flows and and Statement of Changes in Equity.

	30 June 2020		30 June 2019	
	Cents	**$**	**Cents**	**$**
Fully franked dividend	7.50	172,379	7.00	160,887
Total dividends paid during the financial year	**7.50**	**172,379**	**7.00**	**160,887**

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Franking account balance

Franking credits available for subsequent reporting periods	2020 $	2019 $
Franking account balance at the beginning of the financial year	**378,937**	**316,485**
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	63,140	119,695
- Franking credits from the payment of income tax following lodgement of annual income tax	(16,140)	3,783
- Franking debits from the payment of franked distributions	(65,385)	(61,026)
Franking account balance at the end of the financial year	**360,552**	**378,937**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	18,506	(14,140)
Franking credits available for future reporting periods	**379,058**	**364,797**

The ability to utilise franking credits is dependent upon the Company's ability to declare dividends.

Note 32. Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

For the year ended 30 June 2020

Note 32. Earnings per share *(continued)*

a) Basic and diluted earnings per share *(continued)*

	2020	2019
	$	**$**
Profit attributable to ordinary shareholders	237,705	236,792
	Number	**Number**
Weighted-average number of ordinary shares	2,298,386	2,298,386
	Cents	**Cents**
Basic and diluted earnings per share	10.34	10.30

Note 33. Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 21).

Operating lease commitments - lessee Non-cancellable operating leases contracted for but not capitalised in the financial statements	2020 $	2019 $
Payable - minimum lease payments:		
- not later than 12 months	-	218,592
- between 12 months and 5 years	-	341,615
Minimum lease payments payable	-	560,207

b) Other commitments

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

Note 34. Contingencies

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

Note 35. Subsequent events

Since the end of the financial year, Melbourne has entered into Stage 4 COVID-19 restrictions, significantly suppressing the general economy and expected to detrimentally impact the 2021 results.

There have been no other significant events occurring after the reporting period which may affect either the Company's operations or the results of those operations or the Company's state of affairs.

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 2020 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 AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001* .

This declaration is made in accordance with a resolution of the Board of Directors.

Russell James Hutchins, Director

Signed on the 26th of August 2019.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial 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 2020 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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
- ✓ Statement of financial position
- ✓ 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2020.

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited for the year ended 30 June 2020, 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.

Key Audit Matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
The company adopted *AASB 16: Leases* as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review. The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in **Note** 3 and 4 m) to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. Our key audit matter was focused on the following areas of risk: ▪ Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. ▪ Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. ▪ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. ▪ The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ assessed the design and implementation of key controls pertaining to the determination of the ▪ AASB 16 transition impact disclosure. ▪ assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. ▪ verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. ▪ considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. ▪ assessed whether the disclosures within the financial statements are appropriate in light of the requirements of *AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors.* **Key observation** We are satisfied that the disclosure of the impact of adoption of *AASB 16: Leases* is in accordance with the company's accounting policy and the related disclosure of these items per Note 3 and 4 m) to the financial statements is appropriate.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Key Audit Matter	How our audit addressed the matter
Revenue Share Model	
The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established. The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our Key Audit Matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with *AASB 15 Revenue from Contracts with Customers*. ▪ Reliance on third party auditor (Ernst & Young) to review the **revenue share** model**.**	In responding to the identified Key Audit Matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. ▪ Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at Note 4 a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2020 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: 24 September 2020

Graeme Stewart
Lead Auditor

NSX Report

Share Information

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

In accordance with NSX listing rules, the Company provides the following information, current as at 30 June 2020.

Shareholding

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

Number of shares held	Number of shareholders	Number of share held
1 to 1,000	98	64,895
1,0001 to 5,000	223	560,117
5,001 to 10,000	53	430,382
10,001 to 100,000	65	1,242,992
100,001 and over	Nil	Nil
Total shareholders	**439**	**2,298,386**

Equity securities

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

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote.

There are 62 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

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

There are no unquoted equity securities.

The total number of shareholders is 439.

Total number of shares is 2,298,386

Eleven largest shareholders

The following table shows the 11 largest shareholders:

Shareholder	Number of Shares	Percentage of Capital
Mrs Beryl Inkster Coombe	83,100	3.62%
Valley Maintenance Services	80,000	3.48%
Gittings Family Superannuation Fund	60,000	2.61%
Exardua Superannuation	48,707	2.12%
Tessala Pty Ltd Superannuation Fund	43,275	1.88%
Mr Abraham Khoury	32,075	1.40%
Mrs Jillian Anne Cobb	25,000	1.09%
Purser Family Trust	23,000	1.00%
Barlow Financial Services Super Fund	23,000	1.00%
Drivecor Superannuation Fund	22,300	0.97%
Drivecor Pty Ltd	22,300	0.97%
Total	**462,757**	**20.13%**

Registered office and principal administrative office

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

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

Security Register

The security register (share register) is kept at:
AFS & Associates
61 Bull Street
Bendigo Victoria 3550
Telephone: (03) 5443 0344

Company Secretary

Russell Hutchins has been the Company Secretary of Heidelberg District Community Enterprise Limited for 8 years. Russell holds degrees in Science and Business and has not previously held the position of Company Secretary on a public company.

Directors' Right to Subscribe for Equity or Debt Securities

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

Annexure 3

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

Five year comparative table of performance, assets and liabilities

	2020 $	2019 $	2018 $	2017 $	2016 $
Revenue	**2,183,655**	**2,519,346**	**2,494,759**	**2,342,173**	**2,200,696**
Net profit/(loss)	**237,705**	**236,792**	**319,675**	**301,362**	**70,236**
Total Assets	**3,537,408**	**3,124,437**	**2,948,223**	**2,476,130**	**2,211,095**
Total Liabilities	**1,096,758**	**414,739**	**314,430**	**247,350**	**168,758**
Total Equity	**2,440,650**	**2,702,809**	**2,633,793**	**2,228,780**	**2,042,337**

Explanatory notes:

1. Net profit in 2016 declined, due mainly to the Company's commitment to its community programs by increasing its grants and sponsorship allocations, despite general continuing adverse economic conditions.

2. Net profit in 2017 improved markedly on 2016 due mainly to an increase in revenue, rigorous cost management and realising the benefit of grant payments made in 2016.

3. Net profit in 2018 increased over 2017, without the benefit realised in 2017, and was due to increased revenue and continued cost management.

4. Net profit declined in 2019 from 2018 due to increased operating expenses and the Company's commitment to its grants and sponsorships program.

5. Net profit in 2020 was consistent with 2019. Although revenue was lower than 2019, the Company could reduce its 2020 grants contributions as there were already sufficient grants funds available to cover the grants program.

Sponsorships and Grants 2019-2020

1st Ivanhoe Sea Scouts	Ivanhoe Knights Basketball Club
3081 Angels	Ivanhoe Netball Club
Alphington Bowls Club	Latrobe University Hockey Club
Anglican Parish of Banyule	Lower Plenty Cricket Club
Araluen Centre	Lower Plenty Dance Group
Austin Health	Macleod Football Club
Austin Hospital Emergency Department	Macleod Junior Football Club
Banyule City Soccer Club	Marcellin Old Collegians Football Club
Banyule Community Health	Mary Immaculate Parish School
Banyule Junior Football Club	Melbourne Legacy
Banyule Toy Library	Melbourne Runabout and Speed Boat Club
Big Group Hug	North Heidelberg Sporting Club
National Bushfire Appeal	North Alphington Cricket Club
Darebin Parklands Association	Olympic Adult Education
Eaglemont Tennis Club	Olympic Village Exodus Community
East Ivanhoe Bowling Club	Open House
Fairfield Primary School	Parkside Junior Football Club
Footscape	Parkside Netball Club
Heart Foundation	Preston Cricket Club
Heidelberg Allstars	Rosanna Bowling Club
Heidelberg Football Club	Rosanna Primary School
Heidelberg Historical Society	Somali Australia Council of Victoria
Heidelberg Occassional Childcare	SALT (Sport & Life Training)
Heidelberg Orchestras	Scouts Australia
Heidelberg Scout Group	St John's Catholic Tennis Club
Heidelberg Stars Soccer Club	Viewbank College
Heidelberg West Football Club	Viewbank Tennis Club
Inner North East Community Radio	West Ivanhoe Sporting Club
Ivanhoe Amateur Football Club	Yarra Valley Hockey Club Inc
Ivanhoe Bowling Club	Youth Foundation Parkville College
Ivanhoe East Primary School	Youth Foundation 3081

Total $276,264

Community Contributions and Shareholder Dividends

Progressive Community Contributions

Financial Year	CEF*	Sponsorships	Total	Grants**
2001/04		$10,000	$10,000	
2004/05	$50,000	$12,330	$62,330	
2005/06	$120,000	$41,450	$161,450	$48,050
2006/07	$100,000	$30,400	$130,400	$70,490
2007/08	$148,000	$43,300	$191,300	$122,751
2008/09	$47,000	$46,580	$93,580	$148,142
2009/10	$75,064	$97,110	$172,174	$113,372
2010/11	$166,054	$134,067	$300,121	$116,896
2011/12	$170,000	$168,566	$338,566	$130,058
2012/13	$165,021	$171,077	$336,098	$160,756
2013/14	$165,000	$185,975	$350,975	$112,150
2014/15	$40,000	$154,145	$194,145	$119,700
2015/16	$180,000	$132,816	$312,816	$89,537
2016/17	$40,000	$128,015	$168,015	$78,067
2017/18	$205,000	$141,250	$346,250	$85,617
2018/19	$200,000	$144,495	$344,495	$129,767
2019/20	$20,000	$142,914	$162,914	$133,350
Total Paid	**$1,891,139**	**$1,774,490**	**$3,665,629**	**$1,658,703**

* CEF - Funds committed to the Community Enterprise Foundation by HDCE
** Grants actually distributed by the CEF from contributions made by HDCE

Shareholder Dividends Paid

Financial Year	Cents per share	Total distribution
2004/05	5 cents	$23,651
2005/06	10 cents	$47,756
2006/07	10 cents	$47,756
2007/08	13 cents	$62,083
2008/09	13 cents	$62,083
2009/10	2 cents	$45,967
2010/11	3 cents	$68,952
2011/12	5 cents	$114,919
2012/13	6 cents	$137,903
2013/14	6 cents	$137,903
2014/15	6 cents	$137,903
2015/16	5 cents	$114,919
2016/17	5 cents	$114,919
2017/18	6 cents	$137,903
2018/19	7 cents	$160,887
2019/20	7.5cents	$172,379
Total Paid		**$1,587,883**

Corporate Governance Statement

The Board of Directors and management of Heidelberg District Community Enterprise are committed to ensuring that the Company is not only well managed, but also operates with the standard of ethics expected of a community focussed organisation. As such, the Board and management are committed to both the principles of good corporate governance and its practical implementation. Corporate governance encompasses the policies, rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations.

The Board of Directors is ultimately responsible for governance of Heidelberg District Community Enterprise and ensuring that Directors, management and staff comply with the Company's ethical and operational standards. General community expectations, as well as regulation, have resulted in an increased level of scrutiny of boards and corporate governance, especially companies providing financial services, and Heidelberg District Community Enterprise is no exception.

Corporate Practice and Policies

The Company's corporate governance practices and policies have been developed by taking into account applicable requirements and recommendations in such things as:

- Corporations Act 2001 (Cth)
- National Stock Exchange Listing Rules
- Bendigo and Adelaide Bank's Franchise Agreement
- Australian Standard AS 8000 – Good Corporate Governance
- The Australian Securities Exchange (ASX) Principles and Recommendations.

The ASX publishes 8 Principles and Recommendations that apply to all entities listed on the ASX. ASX states however, that these Principles and Recommendations reflect a contemporary view of appropriate corporate governance standards, and that other bodies may find them helpful in formulating their governance rules or practices. Although not listed on the ASX, HDCE nevertheless subscribes to these ASX principles. The 8 Principles are:

1. Lay solid foundations for management and oversight: An entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

2. Structure the board to be effective and add value: The board of an entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

3. Instil a culture of acting lawfully, ethically and responsibly: An entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

4. Safeguard the integrity of corporate reports: An entity should have appropriate processes to verify the integrity of its corporate reports.

5. Make timely and balanced disclosure: An entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

6. Respect the rights of security holders: An entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

7. Recognise and manage risk: An entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

8. Remunerate fairly and responsibly: An entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite. Note: HDCE adopts this Principle in regard to management but pays its Directors only modest remuneration as high quality directors are attracted to Community Banking by factors other than remuneration.

Accordingly, the Board has a Code of Conduct and a set of policies and procedures to ensure that high ethical and operational standards are maintained by the Board, management and staff of the Company. The Board is also committed to providing its shareholders with appropriate information regarding any matter that may materially affect the operation of the Company or more generally considered by the Board to be in shareholders' best interests. The Company encourages its shareholders to attend and actively participate in the Annual General Meeting and any Extraordinary General Meetings.

The Board and Board Committees

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

Audit and Governance Committee

a) To ensure the accuracy of the Company's financial records, to monitor and mitigate risks facing the Company, and to ensure that the Company complies with both its fiduciary responsibilities and its franchise obligations; and b) through the property function – To deal with all matters relating to the leased branch properties and the tenanted investment properties.

Marketing and Business Development Committee

To promote the Company within the Community and maximise the effectiveness of the Company's investment into sponsorship and marketing activities, and to actively provide business development opportunities for the two branches to promote business growth; and

Human Resources Committee

To monitor and maintain all aspects of Board / staff relations.

The Board meets monthly, together with management and Bendigo and Adelaide Bank's regional management, to review the performance of the business, assess its involvement in and support for Community activities, review the activities of the Board Committees, monitor compliance with applicable legislation and other obligations, and discuss any other relevant matters. Additional meetings are convened as required to address specific matters. The Board also conducts an annual planning workshop to review the Company's strategy and objectives and put in place action plans to achieve these objectives. The Board Committees meet monthly, bi-monthly or as required to review their respective functions.

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

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

The responsibilities of the Board include:

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

Community Bank · East Ivanhoe
233-235 Lower Heidelberg Road,
East Ivanhoe VIC 3079
Phone: 9497 5133 Fax: 9497 5233
Email: east_ivanhoe@bendigoadelaide.com.au
Web: bendigobank.com.au/east_ivanhoe

Community Bank · Heidelberg
164 Burgundy Street,
Heidelberg VIC 3084
Phone: 9457 2055 Fax: 9458 3646
Email: heidelberg@bendigoadelaide.com.au
Web: bendigobank.com.au/heidelberg

Franchisee: Heidelberg District Community Enterprise Limited
ABN: 62 095 312 744
233 - 235 Lower Heidelberg Road
East Ivanhoe VIC 3079
Phone: 9497 5133 Fax: 9497 5233
Email: east_ivanhoe@bendigoadelaide.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

www.facebook.com/EastIvanhoeHeidelbergCommunityBankBranches

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1539846 30/09/2020