

ABN 62 095 312 744

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

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# Chairman's report

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For year ending 30 June 2011

It is with pleasure that I present to you our Shareholders', this 11th Annual Report of Heidelberg District Community Enterprise Ltd.

The past 12 months July 2010 to June 2011, our 10th year of operation, has proven to be a very successful and positive period for the Company. We are continuing to build on the healthy base of a single branch Company to become a solid two branch business performing above prospectus forecasts.

Your Board of Directors are strongly guided by our Company's vision and mission in all decisions that present to us.

## **Our vision**

Our vision is to be a key element in the success of our community's development, sustainability and prosperity. We will provide a level of service and community involvement that has people feeling left out if they are not banking with either Heidelberg **Community Bank**® Branch or East Ivanhoe **Community Bank**® Branch.

## **Our mission**

Our mission is

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

## **Current position**

I announce to you that for the 2010/11 year the Company made a profit of \$12,787 before income tax. This is a significant turnaround on last year's loss of \$41,678. This year's result is to be celebrated as we track ahead of the 2009 prospectus forecasts when the Company moved to a two branch structure with the opening of our Heidelberg **Community Bank**® Branch. A new branch takes time to establish in growing its revenue and we are delighted to report this healthy position. Our flagship branch in East Ivanhoe continues to perform positively and in line with expectations.

This profit result is reached after deducting our annual allocation toward community grants and sponsorships which this year totalled \$251,963.

During the last 12 months the number of customers of our two community branches has continued to grow resulting in the value of our banking book increasing from \$182.7 M to \$233.5 M – a healthy net increase of \$50.8 M.

At 30 June, the Heidelberg District Community Enterprise Ltd has retained healthy earnings of \$245,377. The Company is now clear of borrowings on the investment property purchased in 2007 at 223 Lower Heidelberg Road, East Ivanhoe. In April this year the Company invested in the upgrade of our flagship East Ivanhoe branch from the original 2001 plan to a 'Branch of the Future' design.

# Chairman's report continued

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We believe the Company is performing soundly, is governed well and we as a business provide exemplary service. We believe Bendigo and Adelaide Bank Ltd continue to provide a great banking service and give excellent support to our enterprise as respected partners in this **Community Bank®** business.

## **Management and staff**

Our highly experienced staff team now numbering 14 members are critical players in our Company's success. They continue to present and uphold the vision of the Company and continue to provide excellent service to our customers and the community.

Our team is led by Senior Manager Noel Donnelly who has served with the Company since establishment in 2001.

Noel is supported by Sam Pearce, Manager at Heidelberg, and Greg Arnott, Manager at East Ivanhoe.

Customer Relations Officers – Julie Bullen, Jo-Ann Downey and Susan Scroop, Customer Service Officers – Sylvia, Amy, Kerry, Carole, Mandy, Maxine, Kane and Adam.

This year we farewelled Debbie Marks, who has been on the staff team since East Ivanhoe opened in May 2001. Debbie played a critical role on the team with her endearing smile, her infectious enthusiasm and warm considerate nature.

After 10 and a half years of exemplary service to our Company, we have accepted Noel's decision to retire. Noel has lead our staff team from a group of 5 in 2001 to the robust team of 14 in 2011. His expertise, professionalism and integrity have indeed been critical in the successful and consistent development of our banking business.

The Board acknowledge and appreciate the energy and enthusiasm that the staff have for the **Community Bank®** concept, and the strong commitment to our Company's vision and values.

## **Business initiatives and development**

This year we have continued to focus on spreading the story of the **Community Bank®** concept, creating greater awareness among the community and through this improving our business.

The Directors and Management team are focusing directly on connecting and maintaining contact with all the community entities that have benefited from our grants and sponsorship. We aim to develop strong relationships with these recipients, ensuring they have a key understanding of the importance of supporting the bank that in turn supports them in their endeavours.

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

Our business dinner events held at the local Latrobe Golf Club to gather key community members have indeed been a successful and well supported initiative.

Sharing in the opportunity to hear of the great community outcomes achieved not only through community banking but also other community initiatives with key and influential community members, has indeed reaped rewards for our company and our community.

How rich and blessed we are to have so many people who give their time and their talents to making our community a vibrant and healthy environment to live, work and play in!

# Chairman's report continued

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## Community contributions

During this twelve month period the East Ivanhoe and Heidelberg **Community Bank**<sup>®</sup> branches have supported the community with a figure of \$251,963. The breakdown of this figure has been:-

- \$135,067 toward sponsorships and donations
- \$116,896 towards grants to different local not-for-profit organisations.

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

The notion of any organisation contributing over \$251,000 to local groups in any one year is a staggering one. That Heidelberg District Community Enterprise Limited has achieved this in the past year is testimony to the strength of the Bendigo Bank **Community Bank**<sup>®</sup> model and the commitment and passion of the staff and Directors of our Company.

A memorable evening was held in September 2010 when we allocated our Annual Grants to the recipients. Each group described their key focus and how their grant was to be used.

Through our sponsorship and grants program we are building a healthier business as the return on this investment into our community is realised. It is our aim is to maximise this return on our community investment.

## Shareholders

Thank you for your support. You are ambassadors of community banking and of the tangible benefits it brings to our community. We want you to help us spread the word and to encourage others to:

Support the bank that supports your community.

Proudly, in this our 11th year of operation, the Board of Directors has announced a dividend of 5¢ per share fully franked, payable to all shareholders in late October 2011.

This is our eighth successive dividend allocation.

To those shareholders who supported the East Ivanhoe **Community Bank**<sup>®</sup> Branch concept back in 2001, you have now received dividends totalling \$0.61 and a bonus issue of 1.3 shares for every share held. Those shareholders who came on board with the opening of the Heidelberg branch in 2009, you have received fully-franked dividends totalling \$0.10. An impressive and enviable position.

Just as shareholders have benefited from the success of your Company, so too has the local community through our grants and sponsorship program.

A remarkable situation with our total community return nearing \$1.5 million since 2001.

See the table at the end of this report for a look at our past dividend allocation. We remind you that trading of our shares is on the open market at the Bendigo Stock Exchange.

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

## Board of Directors

I feel privileged to be the Chairman of the HDCE Ltd Board supported by such a diligent, conscientious and community minded fellow Directors. In addition we are fortunate to have the expertise of Carly Kluge as our

## Chairman's report continued

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Community Liaison and PR officer, and Pam Tremlett as our Bookkeeper and Minute Secretary. These support roles are critical to the smooth operation of our Company.

This past year has seen numerous changes to Board personnel. In August 2010 we farewelled Katy Richmond who had served diligently on the Board for over three years. In February 2011 we farewelled Jennifer Christiansen who was instrumental in the establishment of the Heidelberg **Community Bank**<sup>®</sup> Branch.

In July 2011 we reluctantly accepted the resignation of Andy Harris who was a founding member of the initial steering committee in 1999 and has contributed immensely to the Company over the last 12 years.

These changes leave us with a Board of nine. We are keen to boost our Board numbers during the next 12 months to assist in sharing the large workload.

All Board members share positions on the following Committees;

Human Resources, Audit & Governance, Marketing and Sponsorship, Grants, Business Development, and the newly formed Property Committee.

Throughout this year Directors have attended various professional development seminars and workshops including the National and the State **Community Bank**<sup>®</sup> Conferences held in Adelaide and Mornington. Our Company presented sessions at both the National and State conferences on our approach to community engagement and our incredibly successful Youth Philanthropy program.

As a shareholder, feel proud that your Company is seen as mature and well functioning and is held in high respect within the **Community Bank**<sup>®</sup> network. We continue to be approached to assist younger, less established Companies to achieve their goals.

As a combined group, the staff and Directors participated in a customer service workshop aimed at highlighting how important it is for our Company to keep this area as the highest priority.

In the role as Chairman, I am grateful for the support of Deputy Chairman, Graham Norman and Company Secretary, John Nelson, along with all Board members. Our Board members contribute generously of their time and of their expertise. Directors on the Heidelberg District Community Enterprise Limited Board, together embrace the philosophy of the **Community Bank**<sup>®</sup> concept and work cooperatively toward achieving our goals.

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

I look forward to our Annual General Meeting with the shareholders on Tuesday 8 November 2011.



**Nancy Louise Caple**  
**Chairman**

# Senior Manager's report

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For year ending 30 June 2011

Community! Community! Community!

What a great enterprise to be involved with – your local East Ivanhoe and Heidelberg **Community Bank®** branches.

Another great year for your Company with the following:

- Heidelberg **Community Bank®** Branch passed \$75 million in banking business in less than two years – a great result
- East Ivanhoe **Community Bank®** Branch celebrated its 10th birthday
- East Ivanhoe **Community Bank®** Branch upgrade in May 2011 showing our commitment to East Ivanhoe for the long term
- Our combined banking book exceeds \$233 million – growth of over \$50 million in the past 12 months
- Over \$1.5 million in community contributions since 2001 and some \$252,000 of this in the past 12 months
- The number of community groups we are now partnering with for the benefit of all the community – 55 different groups in the past year.

As this will be my last Senior Manager's report due to my forthcoming retirement, I would like to thank the following, not just for the past 12 months, but for the past 10 years:

- Our staff at both East Ivanhoe and Heidelberg for the continued service levels and support to the customers and the community. Debbie has retired in the past year and Kerry has returned from maternity leave.
- Our Directors have again provided great support to our team and the community and are very active in growing our network
- Our shareholders are the group who allowed our wonderful enterprise to happen – without them, we would still be a dream
- Our partner, Bendigo and Adelaide Bank Ltd, continues to provide great support and guidance and without them, this great enterprise would not exist.

What a fantastic feeling when you support your local **Community Bank®** branch!

We need to continue to grow our enterprise and to do this we encourage:

- Existing customers to grow their banking relationships
- Shareholders to transfer all their banking to your local branch
- Shareholders and Directors continuing to spread the message in your community and encourage your friends and neighbours to try us – they will be surprised with our personal service levels and commitment
- Our partners to grow their association with our branches.

We need to tell and re-tell our community story; the local community is gaining a better understanding of how our business supports them. The more we grow the more support our local community receives. It is exciting for our staff to be involved in supporting our community.

## Senior Manager's report continued

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Community – support your **Community Bank®** branch, simply doing all your personal and business banking with your local branch supports your community.

Community – your banking at East Ivanhoe and Heidelberg **Community Bank®** branches ensures our profits are returned to your local community.

Community – our partnerships with local community groups provide greater outcomes in your local community.

A handwritten signature in black ink, appearing to read 'Noel Donnelly', with a stylized, looping flourish at the end.

**Noel Donnelly**  
**Senior Manager**



# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2011

As **Community Bank**® shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**® Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

## Bendigo and Adelaide Bank Ltd report continued

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Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**<sup>®</sup> branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**<sup>®</sup> model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



**Russell Jenkins**

**Executive Customer and Community**

# Directors' report

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For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

## Directors

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

### Nancy Louise Caple

Chairman

Independent Non-executive Director

Age: 56

Retailer

Nan has been operating a successful retail business in East Ivanhoe for 20 years. She was heavily involved in the establishment of the East Ivanhoe branch.

Nan plays an active role in many aspects of the community.

Sub Committee member: Human Resources, Business Development and Marketing & Sponsorship.

Interest in shares: 22,077

### Graham Peter Norman

Treasurer

Independent Non-executive Director

Age: 69

Chartered Accountant

Graham has practiced as a chartered accountant in Ivanhoe for 40 years. He has a strong interest in the local communities of Ivanhoe and Heidelberg and has been a member of the Rotary Club of Ivanhoe for 34 years.

Sub Committee member: Audit & Governance

Interest in shares: 33,930

### Evelyn Stagg

Independent Non-executive Director

Age: 61

Teacher

Lyndy holds a Graduate Diploma in Educational Administration and an Advanced Certificate in the Art and Science of Movement. She also holds senior teaching position at a local school and has considerable experience in the education field.

She has many ties with community groups and is a Ivanhoe Sea Scouts Cub Leader and former Vice president of Hockey Victoria.

Sub Committee member: Marketing & Sponsorship (Chair)

Interest in shares: 3,950

### John Kenneth Nelson

Secretary

Independent Non-executive Director

Age: 62

Chartered Accountant (Retired)

John is a long term resident of Ivanhoe. He has a large amount of experience in finance roles in both private & public companies. He is committed to supporting community projects and activities.

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

Interest in shares: 1,150

# Directors' report continued

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## Directors (continued)

### Paul Anthony Gittings

Independent Non-executive Director

Age: 60

Retired Real Estate Agent

Paul has extensive experience in the Real Estate field, including running his own successful Real Estate Agency with 44 employees and 2000 properties under management. He is involved with a number of community groups.

Sub Committee member: Business Development, Marketing & Sponsorship, Property (Chair)

Interest in shares: 60,000

### Russell James Hutchins

Independent Non-executive Director

Age: 61

IT Consultant

Russell has more than 30 years commercial experience in the banking and information technology industries and holds degrees in Science and Business. He has a particular interest in the support of the disadvantaged members of our community.

Sub Committee member: Audit & Governance

Interest in shares: 13,000

### Brian Thomas Simpson

Independent Non-executive Director

Age: 62

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 Rotary.

Sub Committee member: Audit & Governance, Human Resource (Chair)

Interest in shares: 10,000

### David John Mayne

Independent Non-executive Director

Age: 60

Communication Consultant

David has held management positions within several industries, including engineering, mining and communications. He is an active member of the Heidelberg community.

Sub Committee member: Business Development (Chair)

Interest in shares: 32,000

### Brett Straun Purchase

Independent Non-executive Director

Age: 52

Certified Practising Accountant

Brett is a principal of his own accounting firm and has been for over 25 years. He is a Certified Practicing Accountant with particular interest in management accounting. He has served as treasurer and board member of the Heidelberg Golf Club, is a member of the Heidelberg Traders Association and served on local basketball committees over the past 25 years.

Sub Committee member: Business Development, Audit & Governance

Interest in shares: 2,000

### Alexander Aaron Harris

Independent Non-executive Director

Director (Resigned 25 July 2011)

Age: 69

Building Contractor

Andy has been in the domestic building industry for over 40 years. He has been a steering committee member for both East Ivanhoe & Heidelberg branches. He has strong interests in the local community and football club.

Sub Committee member: Business Development.

Interest in shares: 22,077

# Directors' report continued

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## Directors (continued)

### Jennifer Sonia June Christiansen

Independent Non-executive Director (Resigned 28 February 2011)

Interest in shares: 500

### Catherine Richmond

Director (Resigned 23 August 2010)

Interest in shares: 2,000

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

No directors have material interests in contracts or proposed contracts with the company.

## Company Secretary

The company secretary is John Kenneth Nelson. John was appointed to the position of secretary on 1 August 2007. John is a Chartered Accountant and has 35 years experience in industry accounting. He has extensive corporate secretariat knowledge including previously performing the role as Company Secretary for a public company.

## Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

## Operating Results

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

	Year ended 30 June 2011 \$	Year ended 30 June 2010 \$
	5,222	(19,366)

## Remuneration Report

### Remuneration Policy

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

# Directors' report continued

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## Remuneration Report (continued)

### Key Management Personnel Remuneration Policy

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

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

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

### Remuneration Structure

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

### Non-executive director remuneration policy:

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by shareholders as required by the Corporations Act 2001 and BSX listing rules.

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

### Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. 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 assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

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

# Directors' report continued

## Remuneration Report (continued)

### Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

### Company performance, shareholder wealth and directors' and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last 5 years for the entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The improvement in the company's performance over the last 5 years has been reflected in the company's share price increasing each year until 2010, when the share price fell following the opening of a second branch and subsequent bonus share issue. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past 5 years.

	2011	2010	2009	2008	2007	2006
Revenue	1,928,462	1,503,807	1,155,436	1,125,559	925,121	790,995
Net profit/(loss)	5,222	(19,366)	84,834	194,740	192,202	117,994
Share price at year end	0.80	0.80	1.00	1.18	1.17	1.00
Net dividend paid	68,952	45,967	-	124,166	47,756	47,756

For the year ended 30 June 2011, the directors received total remuneration including superannuation, as follows:

	\$
Nancy Louise Caple	5,000
Graham Peter Norman	5,000
John Kenneth Nelson	5,000
Evelyn Stagg	-
Paul Anthony Gittings	3,000
Russell James Hutchins	3,000
David John Mayne	3,000
Brian Thomas Simpson	3,000
Brett Straun Purchase	1,000
Alexander Aaron Harris (Resigned 25 July 2011)	1,500
Jennifer Sonia June Christiansen (Resigned 28 February 2011)	-
Catherine Richmond (Resigned 23 August 2010)	-

# Directors' report continued

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## Remuneration Report (continued)

### Company performance, shareholder wealth and directors' and executives' remuneration (continued)

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

### Options issued as part of remuneration for the year ended 30 June 2011

No options have been issued as part of remuneration for the year ended 30 June 2011.

### Employment Contracts of Directors

There are no employment contracts for Directors.

Dividends	Year Ended 30 June 2011	
	Cents	\$
Dividends paid in the year:	3.00	68,952

## Significant Changes in the State of Affairs

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

## Matters Subsequent to the End of the Financial Year

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

## Likely Developments

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

## Environmental Regulation

The company is not subject to any significant environmental regulation.

## Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.



# Directors' report continued

## Indemnification and Insurance of Directors and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

## Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended							
			Audit & Governance		Business Development		Marketing & Sponsorship		Human Resources	
	A	B	A	B	A	B	A	B	A	B
Nancy Louise Caple	11	10	-	-	10	8	11	10	7	7
Graham Peter Norman	11	9	6	6	-	-	-	-	-	-
Evelyn Stagg	11	9	-	-	-	-	11	10	-	-
John Kenneth Nelson	11	10	6	6	-	-	-	-	7	6
Paul Anthony Gittings	11	9	-	-	10	8	11	8	-	-
David John Mayne	11	9	-	-	10	9	-	-	-	-
Russell James Hutchins	11	9	6	5	-	-	-	-	-	-
Brett Straun Purchase	11	8	5	5	10	9	-	-	-	-
Brian Thomas Simpson	11	8	6	5	-	-	-	-	7	7
Alexander Aaron Harris	7	4	-	-	3	2	-	-	-	-
Jennifer Sonia June Christiansen	2	2	-	-	3	2	3	2	-	-
Catherine Richmond	1	-	1	1	-	-	-	-	-	-

A - Eligible to attend

B - Number attended

## Directors' report continued

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### **Non Audit Services**

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

### **Auditors' Independence Declaration**

A copy of the auditors' 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 East Ivanhoe, Victoria on 22 August 2011.



**Nancy Louise Caple, Chairman**

# Auditor's independence declaration

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## **Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Heidelberg District Community Enterprise Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

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

**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

22nd August 2011

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

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# Financial statements

## Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	4	1,928,462	1,503,807
Employee benefits expense		(797,838)	(690,741)
Charitable donations, sponsorship, advertising and promotion		(430,823)	(268,231)
Occupancy and associated costs		(240,477)	(190,155)
Systems costs		(96,580)	(66,597)
Depreciation and amortisation expense	5	(78,344)	(69,025)
Finance costs	5	(18,688)	(37,506)
General administration expenses		(252,925)	(223,230)
<b>Profit/(loss) before income tax (expense)/credit</b>		<b>12,787</b>	<b>(41,678)</b>
Income tax (expense)/credit	6	(7,565)	22,312
<b>Profit/(loss) after income tax (expense)/credit</b>		<b>5,222</b>	<b>(19,366)</b>
<b>Total comprehensive income for the year</b>		<b>5,222</b>	<b>(19,366)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic profit for the year	22	0.23	(0.96)

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance Sheet as at 30 June 2011

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	451,378	1,051,594
Current tax assets	11	23,461	22,374
Trade and other receivables	8	145,807	123,258
<b>Total Current Assets</b>		<b>620,646</b>	<b>1,197,226</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	1,406,983	1,331,724
Intangible assets	10	107,554	68,500
Deferred tax assets	11	30,040	37,605
<b>Total Non-Current Assets</b>		<b>1,544,577</b>	<b>1,437,829</b>
<b>Total Assets</b>		<b>2,165,223</b>	<b>2,635,055</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	193,562	38,189
Borrowings	13	717	29,123
Provisions	14	76,234	61,563
<b>Total Current Liabilities</b>		<b>270,513</b>	<b>128,875</b>
<b>Non-Current Liabilities</b>			
Borrowings	13	-	546,081
Provisions	14	8,168	9,827
<b>Total Non-Current Liabilities</b>		<b>8,168</b>	<b>555,908</b>
<b>Total Liabilities</b>		<b>278,681</b>	<b>684,783</b>
<b>Net Assets</b>		<b>1,886,542</b>	<b>1,950,272</b>
<b>Equity</b>			
Issued capital	15	1,641,165	1,641,165
Retained earnings	16	245,377	309,107
<b>Total Equity</b>		<b>1,886,542</b>	<b>1,950,272</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of Changes in Equity for the Year Ended 30 June 2011

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2009</b>	<b>441,165</b>	<b>374,440</b>	<b>815,605</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(19,366)</b>	<b>(19,366)</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	1,200,000	-	1,200,000
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(45,967)	(45,967)
<b>Balance at 30 June 2010</b>	<b>1,641,165</b>	<b>309,107</b>	<b>1,950,272</b>
<b>Balance at 1 July 2010</b>	<b>1,641,165</b>	<b>309,107</b>	<b>1,950,272</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,222</b>	<b>5,222</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(68,952)	(68,952)
<b>Balance at 30 June 2011</b>	<b>1,641,165</b>	<b>245,377</b>	<b>1,886,542</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of Cashflows for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		2,038,192	1,452,553
Payments to suppliers and employees		(1,953,157)	(1,414,217)
Interest received		39,637	34,975
Interest paid		(18,688)	(37,506)
Income taxes paid		(1,087)	(40,869)
<b>Net cash provided by/(used in) operating activities</b>	<b>17</b>	<b>104,897</b>	<b>(5,064)</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(3,567)	(315,717)
Payments for intangible assets		(57,851)	(80,000)
<b>Net cash used in investing activities</b>		<b>(61,418)</b>	<b>(395,717)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares		-	1,200,000
Payment for share issue costs		-	(15,705)
Repayment of borrowings		(574,487)	(28,264)
Dividends paid		(69,208)	(45,967)
<b>Net cash provided by/(used in) financing activities</b>		<b>(643,695)</b>	<b>1,110,064</b>
<b>Net increase/(decrease) in cash held</b>		<b>(600,216)</b>	<b>709,283</b>
Cash and cash equivalents at the beginning of the financial year		1,051,594	342,311
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>451,378</b>	<b>1,051,594</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2011

## Note 1. Summary of Significant Accounting Policies

### **a) Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

#### Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.



# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### b) Revenue

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### b) Revenue (continued)

#### Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

### c) Income Tax

#### Current tax

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

#### Deferred tax

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

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### **c) Income Tax (continued)**

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

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

#### Current and deferred tax for the period

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

### **d) Employee Entitlements**

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

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

### **e) Cash and Cash Equivalents**

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

### **f) Trade Receivables and Payables**

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

### **g) Property, Plant and Equipment**

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### **g) Property, Plant and Equipment (continued)**

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

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

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

### **h) Intangibles**

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

### **i) Payment Terms**

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

### **j) Borrowings**

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

### **k) Financial Instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### **(i) Loans and receivables**

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### **k) Financial Instruments (continued)**

#### Classification and subsequent measurement (continued)

##### (ii) Held-to-maturity investments

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

##### (iii) Financial liabilities

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

#### Impairment

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

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Contributed Equity**

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

# Notes to the financial statements continued

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## Note 1. Summary of Significant Accounting Policies (continued)

### **o) Earnings Per Share**

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

### **p) Goods and Services Tax**

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

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

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

## Note 2. Financial Risk Management

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

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

### **(i) Market risk**

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

### **(ii) Price risk**

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

### **(iii) Credit risk**

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

### **(iv) Liquidity risk**

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

# Notes to the financial statements continued

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## Note 2. Financial Risk Management (continued)

### **(v) Cash flow and fair value interest rate risk**

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

### **(vi) Capital management**

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

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

(i) the distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

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

## Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.



# Notes to the financial statements continued

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## Note 3. Critical Accounting Estimates and Judgements (continued)

### Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

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

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

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	1,847,859	1,424,338
- other revenue	-	386
<b>Total revenue from operating activities</b>	<b>1,847,859</b>	<b>1,424,724</b>

Non-operating activities:

- interest received	38,515	38,280
- rental revenue	42,088	40,803
<b>Total revenue from non-operating activities</b>	<b>80,603</b>	<b>79,083</b>
<b>Total revenues from ordinary activities</b>	<b>1,928,462</b>	<b>1,503,807</b>

### Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	16,503	21,662
- leasehold improvements	43,044	32,030

Amortisation of non-current assets:

- franchise agreement	4,026	3,666
- franchise establishment/renewal fee	14,771	11,667
	<b>78,344</b>	<b>69,025</b>

Finance costs:

- interest paid	18,688	37,506
<b>Bad debts</b>	<b>1,244</b>	<b>6,060</b>

The following significant expense items, included as part of general administration expenses, are relevant in explaining financial performance:

- loss on disposal of property, plant and equipment	8,828	-
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The loss on disposal of property, plant and equipment relates to items replaced or removed as part of the refurbishment of the East Ivanhoe branch.

## Notes to the financial statements continued

	Note	2011 \$	2010 \$
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### Note 6. Income Tax Expense/(Credit)

The components of tax expense comprise:

- Current tax		-	-
- Future income tax benefit attributed to losses		-	(17,641)
- Movement in deferred tax		(4,239)	(4,671)
- Recoupment of prior year tax losses		11,804	-
		<b>7,565</b>	<b>(22,312)</b>

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:

Operating profit/(loss)		12,787	(41,678)
Prima facie tax on profit from ordinary activities at 30%		3,836	(12,503)
Add tax effect of:			
- non-deductible expenses		5,639	4,600
- timing difference expenses		4,240	4,670
- investment deduction		-	(12,497)
- other deductible expenses		(1,911)	(1,911)
		<b>11,804</b>	<b>(17,641)</b>
Movement in deferred tax	11	(4,239)	(4,671)
		<b>7,565</b>	<b>(22,312)</b>

### Note 7. Cash and Cash Equivalents

Cash at bank and on hand	221,128	271,344
Term deposits	230,250	780,250
	<b>451,378</b>	<b>1,051,594</b>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

#### Note 7.(a) Reconciliation of cash

Cash at bank and on hand	221,128	271,344
Term deposits	230,250	780,250
	<b>451,378</b>	<b>1,051,594</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 8. Trade and Other Receivables</b>		
Trade receivables	137,572	106,147
Other receivables and accruals	3,724	4,845
Prepayments	4,511	12,266
	<b>145,807</b>	<b>123,258</b>

## Note 9. Property, Plant and Equipment

### Plant and equipment

At cost	65,212	76,394
Less accumulated depreciation	(41,099)	(41,817)
	<b>24,113</b>	<b>34,577</b>

### Leasehold improvements

At cost	506,538	419,329
Less accumulated depreciation	(86,294)	(103,508)
	<b>420,244</b>	<b>315,821</b>

### Land and buildings

Land - at cost	361,000	361,000
Buildings - at cost	747,997	747,997
Less: accumulated amortisation	(46,724)	(28,024)
Less: impairment (Director valuation)	(99,647)	(99,647)
	<b>962,626</b>	<b>981,326</b>

<b>Total written down amount</b>	<b>1,406,983</b>	<b>1,331,724</b>
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### Movements in carrying amounts:

#### Plant and equipment

Carrying amount at beginning	34,577	13,434
Additions	9,971	36,635
Disposals	(3,932)	-
Less: depreciation expense	(16,503)	(15,492)
<b>Carrying amount at end</b>	<b>24,113</b>	<b>34,577</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 9. Property, Plant and Equipment (continued)

#### Leasehold improvements

Carrying amount at beginning	315,821	56,265
Additions	133,663	279,082
Disposals	(4,896)	-
Less: depreciation expense	(24,344)	(19,526)
<b>Carrying amount at end</b>	<b>420,244</b>	<b>315,821</b>

#### Land and buildings

Carrying amount at beginning	981,326	1,000,000
Additions	-	-
Disposals	-	-
Less: amortisation expense	(18,700)	(18,674)
Carrying amount at end	962,626	981,326
<b>Total written down amount</b>	<b>1,406,983</b>	<b>1,331,724</b>

### Note 10. Intangible Assets

#### Franchise fee

At cost	31,570	20,000
Less: accumulated amortisation	(13,860)	(9,834)
	<b>17,710</b>	<b>10,166</b>

#### Establishment/Renewal processing fee

At cost	116,282	70,000
Less: accumulated amortisation	(26,438)	(11,666)
	<b>89,844</b>	<b>58,334</b>
<b>Total written down amount</b>	<b>107,554</b>	<b>68,500</b>

### Note 11. Tax

#### Current:

<b>Income tax refundable</b>	<b>23,461</b>	<b>22,374</b>
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## Notes to the financial statements continued

	2011 \$	2010 \$
Note 11. Tax (continued)		
<b>Non-Current</b>		
<b>Deferred tax assets</b>		
- accruals		
- employee provisions	25,321	21,417
- tax losses carried forward	5,837	17,642
	<b>31,158</b>	<b>39,059</b>
<b>Deferred tax liability</b>		
- accruals	1,118	1,454
	1,118	1,454
<b>Net deferred tax asset/(liability)</b>	<b>30,040</b>	<b>37,605</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>(4,239)</b>	<b>(4,671)</b>

## Note 12. Trade and Other Payables

Trade creditors	189,010	31,486
Other creditors and accruals	4,552	6,703
	<b>193,562</b>	<b>38,189</b>

## Note 13. Borrowings

<b>Current:</b>		
<b>Bank loans</b>	<b>717</b>	<b>29,123</b>
<b>Non-Current:</b>		
<b>Bank loans</b>	<b>-</b>	<b>546,081</b>

## Note 14. Provisions

<b>Current:</b>		
Provision for annual leave	30,072	24,623
Provision for long service leave	39,688	31,209
Provision for sick leave	6,474	5,731
	<b>76,234</b>	<b>61,563</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
Note 14. Provisions (continued)		
<b>Non-Current:</b>		
<b>Provision for long service leave</b>	<b>8,168</b>	<b>9,827</b>

## Note 15. Contributed Equity

### East Ivanhoe

1,098,386 Ordinary shares fully paid (2010: 1,098,386)	473,010	473,010
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A bonus share issue on a 1.3:1 basis (620,826 shares) was issued to all existing shareholders on 17 June 2009.

### Heidelberg

1,200,000 Ordinary shares fully paid (2010: 1,200,000)	1,200,000	1,200,000
Less: equity raising expenses	(31,845)	(31,845)
	<b>1,168,155</b>	<b>1,168,155</b>
	<b>1,641,165</b>	<b>1,641,165</b>

### Rights attached to shares

#### (a) Voting rights

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

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

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

#### (b) Dividends

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

# Notes to the financial statements continued

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## Note 15. Contributed Equity (continued)

### (c) Transfer

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

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

### **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 442 shareholders.

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

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

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

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

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.



## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 16. Retained Earnings/Accumulated Losses</b>		
Balance at the beginning of the financial year	309,107	374,440
Net profit/(loss) from ordinary activities after income tax	5,222	(19,366)
Dividends paid or provided for	(68,952)	(45,967)
<b>Balance at the end of the financial year</b>	<b>245,377</b>	<b>309,107</b>

## Note 17. Statement of Cashflows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit/(loss) from ordinary activities after income tax	5,222	(19,366)
Non cash items:		
- depreciation	59,547	53,692
- amortisation	18,797	15,333
- loss on disposal of non-current assets	8,828	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(22,549)	(2,815)
- (increase)/decrease in other assets	6,478	(40,503)
- increase/(decrease) in payables	15,562	(30,278)
-increase/(decrease) in provisions	13,012	18,873
<b>Net cashflows provided by/(used in) operating activities</b>	<b>104,897</b>	<b>(5,064)</b>

## Note 18. Leases

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	186,173	161,623
- between 12 months and 5 years	499,683	357,500
- greater than 5 years	-	-
	<b>685,856</b>	<b>519,123</b>

## Notes to the financial statements continued

### Note 18. Leases (continued)

The lease on the East Ivanhoe branch premises is a five year lease with the option of one additional five year term. The lease commenced on 1 April 2011 with annual rent of \$72,763 plus GST.

The lease on the Heidelberg branch premises is a five year lease with the option of two additional five year terms. The lease commenced on 1 July 2009 with annual rent of 113,410 plus GST.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

### Note 19. Auditors' Remuneration

Amounts received or due and receivable by McBain McCartin & Co for:

- audit and review services	-	13,650
- non audit services	-	-
	-	<b>13,650</b>

Amounts received or due and receivable by Andrew Frewin & Stewart for:

- audit and review services	4,500	-
- non audit services	1,080	-
	<b>5,580</b>	-

### Note 20. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Nancy Louise Caple  
Graham Peter Norman  
John Kenneth Nelson  
Evelyn Stagg  
Paul Anthony Gittings  
Russell James Hutchins  
David John Mayne  
Brian Thomas Simpson  
Brett Straun Purchase  
Alexander Aaron Harris (Resigned 25 July 2011)  
Jennifer Sonia June Christiansen (Resigned 28 February 2011)  
Catherine Richmond (Resigned 23 August 2010)

No director or related entity has entered into a material contract with the company. Director's fees paid for the financial year are outlined in the Directors' Report.

## Notes to the financial statements continued

### Note 20. Director and Related Party Disclosures (continued)

<b>Directors Shareholdings</b>	<b>2011</b>	<b>2010</b>
Nancy Louise Caple	22,077	22,077
Graham Peter Norman	33,930	33,930
John Kenneth Nelson	1,150	1,150
Evelyn Stagg	3,950	3,950
Paul Anthony Gittings	60,000	60,000
Russell James Hutchins	13,000	13,000
David John Mayne	32,000	32,000
Brian Thomas Simpson	10,000	10,000
Brett Straun Purchase	2,000	2,000
Alexander Aaron Harris (Resigned 25 July 2011)	22,077	22,077
Jennifer Sonia June Christiansen (Resigned 28 February 2011)	500	500
Catherine Richmond (Resigned 23 August 2010)	2,000	2,000

There was no movement in directors shareholdings during the year.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

### Note 21. Dividends Paid or Provided

#### a. Dividends paid during the year

Dividend paid		
<b>100% (2010: 100%) franked dividend - 3 cents (2010: 2 cents) per share</b>	<b>68,952</b>	<b>45,967</b>

The tax rate at which dividends have been franked is 30% (2010: 30%).

#### b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	242,179	270,643
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 21. Dividends Paid or Provided (continued)

#### b. Franking account balance (continued)

Franking credits available for future financial reporting periods:	242,179	270,643
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>242,179</b>	<b>270,643</b>

### Note 22. Earnings Per Share

(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	5,222	(19,366)
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,298,386	2,022,224

### Note 23. Events Occurring After the Balance Sheet Date

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

### Note 24. Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities which may become payable are as follows:

The company has entered into an agreement with the Ivanhoe East Primary School to contribute \$200,000 towards the re-development of the Space Centre Educational Community Centre. A total of \$140,000 has been contributed to date via three instalments paid in June 2010, December 2010 and July 2011. The remaining contribution of \$60,000 is payable via the following instalments:

July 2012	\$30,000
July 2013	\$30,000

# Notes to the financial statements continued

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## Note 24. Contingent Liabilities (continued)

The payment of the remaining instalments is reliant upon delivery of the following benefits to the company upon completion of the facility:

- The naming rights of two conference rooms in the facility;
- The opportunity for a senior executive of the company to be involved in the opening ceremony and launch event;
- The right to secure a plaque in the foyer acknowledging the significant contribution made by the company to the facility;
- The right to have the company recognised as a major sponsor at all public events, media releases and newsletters; and
- The right for a representative from the company to address parent group meetings at least twice a year to share the **Community Bank®** story.

## Note 25. Segment Reporting

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

## Note 26. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
233-235 Lower Heidelberg Road Ivanhoe East VIC 3079	233-235 Lower Heidelberg Road Ivanhoe East VIC 3079
	164 Burgundy Street Heidelberg VIC 3084

## Note 27. Financial Instruments

### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

# Notes to the financial statements continued

## Note 27. Financial Instruments (continued)

### Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	220,728	270,944	230,250	780,250	-	-	-	-	400	400	5.40	3.78
Receivables	-	-	-	-	-	-	-	-	145,807	123,258	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	717	29,123	-	260,380	-	285,701	-	-	7.09	6.38
Payables	-	-	-	-	-	-	-	-	193,562	38,189	N/A	N/A

# Directors' declaration

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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 2011 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; and
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Nancy Louise Caple, Chairman**

Signed on the 22nd of August 2011.

# Independent audit report

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## **Independent Auditor's Report To The Members Of Heidelberg District Community Enterprise Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Heidelberg District Community Enterprise Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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

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# Independent audit report continued

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## Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Heidelberg District Community Enterprise Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



**DAVID HUTCHINGS**

**ANDREW FREWIN & STEWART**

61-65 Bull Street, Bendigo, 3550

22nd August 2011

# BSX report

## Share Information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 29 August 2011, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Percentage of capital
1 to 1,000	96	2.83
1,001 to 5,000	227	24.78
5,001 to 10,000	47	17.14
10,001 to 100,000	72	55.25
100,001 and over	0	0
<b>Total shareholders</b>	<b>442</b>	<b>100.00</b>

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

There are no substantial shareholders (ie holding in excess of 5%) as each shareholder is entitled to 1 vote. Normally holding more than 5% of issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are no shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities.

All shares on issue are ordinary shares fully paid to \$1. There are no unquoted equity securities. The total number of shareholders is 442.

## The following table shows the 11 largest shareholders

Shareholder	Number of shares	Percentage of capital
Valley Maintenance Services	80,000	3.48%
Tessala Pty Ltd Superannuation Fund	35,875	1.56%
Donnelly Super Fund	35,640	1.55%
Berwell Pty Ltd	34,600	1.51%
Exardua Pty Ltd	33,930	1.48%
JL Knorr Pty Ltd	33,000	1.44%
Abraham Khoury	32,075	1.40%
Barlow Financial Services Super Fund	23,000	1.00%
Riadell Pty Ltd	23,000	1.00%
Drivecor Superannuation Fund	22,300	0.97%

# BSX report continued

The following table shows the 11 largest shareholders (continued)

Shareholder	Number of shares	Percentage of capital
Drivecor Pty Ltd	22,300	0.97%
<b>Total</b>	<b>375,720</b>	<b>16.35%</b>

## Registered office and principal administrative office

The registered office of the Company is located at:

233-235 Lower Heidelberg Road,  
East Ivanhoe VIC 3079  
Phone: (03) 9497 5133

The principal administrative office of the Company is located at:

233-235 Lower Heidelberg Road,  
East Ivanhoe VIC 3079  
Phone: (03) 9497 5133

## Security register

The security register (share register) is kept at:

Share Data National Share Registry Services  
52 Angove Park Drive,  
Tea Tree Gully SA 5091  
Phone: (08) 8395 2308

## Company Secretary

John Nelson has been Company Secretary since 1 August 2007. John is a Chartered Accountant with over 35 years experience in industry. He has extensive corporate secretariate experience including previously performing the role as Company Secretary of a public company.

## Corporate Governance

The Company has implemented various Corporate Governance practices, which include:

- The establishment of an Audit and Governance Committee. Members of the Committee are John Nelson, Graham Norman, Brian Simpson, Brett Purchase (Joined August 2010) and Russell Hutchins.
- Ongoing Director training
- Director approval of operating budgets and monitoring of progress against the budgets on a monthly basis; and
- Monthly Director meetings to discuss performance and strategic plans.

## Annexure 3A

There are no differences between the Annexure 3A and the Financial Documents contained in the Annual Report.

# Sponsorships and grants for 2010/2011

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2nd Ivanhoe Sea Scouts	96.5 Inner North East Community Radio
Alphington Bowling Club	Amateur Repertory Company
Austin Health Child Care Centre	Banksia Palliative Care Services
Banyule Amateur Football Club	Banyule City Council
Banyule Community Club of Year	Banyule Cricket Club
Banyule Housing Support Group	Banyule Junior Football Club
Banyule Primary School	Banyule Support and Information Centre
Children with Impaired Hearing	Diamond Valley Prostate Cancer Support Group
Eaglemont Tennis Club	East Ivanhoe Bowling Club
East Ivanhoe Saints Cricket Club	East Ivanhoe Traders Association
Heidelberg Bowling Club	Heidelberg District Cricket Umpires Association
Heidelberg Football Club	Heidelberg Historical Society
Heidelberg Occasional Child Care Centre	Heidelberg Preschool Orient Place
Heidelberg Primary School	Heidelberg West Football Club
Ivanhoe Girls Grammar School	Ivanhoe East Primary School
Ivanhoe Netball Club	Ivanhoe Park Croquet Club
Ivanhoe Photographic Society	La Trobe University Soccer Club
La Trobe University Football Club	Let it Loose 3081
Macleod Festival	Macleod Football Club
Macleod Netball Club	Our Lady of Mercy College
Old Ivanhoe Grammarians Football Club	Olympic Adult Education
Open House Christian Involvement Centre	Rosanna Bowling Club
Rotary Club of Heidelberg	Rosanna Scout Group
SPACE Centre - East Ivanhoe	SPX Waterdale Players
St Andrews Playgroup Rosanna	St James Anglican Church Ivanhoe
St John's Catholic Primary School	St John's Catholic Tennis Club
Volunteers of Banyule	Women in Business
Youth Foundation Victoria	

Total \$251,963

# Community contributions and shareholder dividends

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## 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	\$135,067	\$300,121	\$116,896
			<b>\$1,121,355</b>	

\* CEF - Community Enterprise Foundation™.

\*\* Grants distributed from contributions to CEF

## Shareholder dividends paid

	Cents per share	Total distribution
2004/05	5 cents	\$23,651
2005/06	10 cents	\$47,756
2006/07	10 cents	\$47,756
2007/08	13 cents	\$62,083
2008/09	13 cents	\$62,083
2009/10	2 cents	\$45,967
2010/11	3 cents	\$68,952

# Corporate governance statement

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The Company's Board of Directors and management is committed to supporting the principles of good corporate governance, integrity, protecting shareholder interests and Bendigo & Adelaide Bank Ltd's reputation and serving the Heidelberg district community. The Company's corporate governance practices and policies have been developed by taking into account applicable requirements in such things as:

Corporations Act 2001 (Cth)

Bendigo Stock Exchange Listing Rules

Bendigo & Adelaide Bank Ltd's Franchise Agreement

Australian Standard AS 8000 – Good Corporate Governance

## **The Board and Board Committees**

At the date of this report, the Board consisted of 9 independent non-executive Directors. An independent non-executive Director is a Director that is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. Directors are required to attend all Board meetings unless prevented by other circumstances. To assist the Board in managing the business and achieve its objective of maintaining the highest standards of corporate governance, the Board delegates certain activities to Board Committees. Each of the Board Committees is composed exclusively of Directors. The Board Committees and their major objectives are:

Audit and Governance Committee -	To ensure the accuracy of the Company's financial records and to ensure that the Company complies with its fiduciary responsibilities
Business Development Committee -	To actively provide business development opportunities for the two branches to promote business growth
Human Resources Committee -	To monitor and maintain all aspects of Board / staff relations
Marketing and Sponsorship Committee -	To promote the Company within the community and maximise the effectiveness of the Company's investment into sponsorship and marketing activities.
Property Committee –	To deal with all maintenance issues relating to the properties occupied by the branches, and the investment property occupied by tenants. The Committee is also responsible for liaison with landlords, agents, and tenants.

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

Appointment and removal of the executive management of the Company is a function of the Board as a whole. Certain powers have been delegated by the Board to executive 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 information to the Board in a concise and

## Corporate governance statement continued

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timely manner to enable the Board to review the operations of the Company and make informed decisions and discharge its duties. The Board monitors this information with Bendigo and Adelaide Bank Ltd at a minimum monthly, or more frequently if required, and requests more information where necessary.

The responsibilities of the Board include:

- Preparing the Company's strategy and objectives
- Reviewing and approving the budgets and business plans prepared by management and Bendigo & Adelaide Bank Ltd.
- Reviewing the performance of the Company against objectives
- Liaising with and reporting to Bendigo Bank & Adelaide Bank Ltd
- 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.

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.









East Ivanhoe **Community Bank**® Branch  
 233-235 Lower Heidelberg Road, East Ivanhoe VIC 3079  
 Phone: (03) 9497 5133 Fax: (03) 9497 5233

Heidelberg **Community Bank**® Branch  
 164 Burgundy Street, Heidelberg VIC 3084  
 Phone: (03) 9457 2055 Fax: (03) 9458 3646

Franchisee: Heidelberg District Community Enterprise Limited  
 233-235 Lower Heidelberg Road, East Ivanhoe VIC 3079  
 ABN: 62 095 312 744

[www.bendigobank.com.au/east\\_ivanhoe](http://www.bendigobank.com.au/east_ivanhoe)  
 Bendigo and Adelaide Bank Limited,  
 The Bendigo Centre, Bendigo VIC 3550  
 ABN 11 068 049 178. AFSL 237879.  
 (BMPAR11008) (07/11)