

**Heidelberg District Community Enterprise Limited
Chairman's Report**

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 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 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.

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, Kerryn, 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!

Community contributions

During this twelve month period the East Ivanhoe and Heidelberg Community Bank® 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® 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® 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® branches that you consider doing so. For those who are enjoying the Community Bank® 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 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® 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® 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® 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® 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.

THANK YOU
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