
Heidelberg District

Community Enterprise Limited

ABN: 62 095 312 744

Financial Report

For the year ended

30 June 2022

Heidelberg District Community Enterprise Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2022.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Nancy Louise Caple

Chair and Independent Non-executive Director

Self employed

Nancy established and operated So Swish (retail business) from 1989 – 2016. She was instrumental in establishing the East Ivanhoe Community branch in 2000. She has a Bachelor of Education and taught prior to 1989. Nan currently holds the Victorian Metro elected position on the Community Bank National Council. She is also the Company Secretary for the family management consulting business. Nan is Chair of the Sycamore Tree Uniting Church Coffee Shop Management committee, a social enterprise located in Heidelberg.

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

Interest in shares: 27,500

Russell James Hutchins

Company Secretary and Independent Non-executive Director

Retired IT Consultant

Prior to retiring in 2018, Russell had over 30 years experience in banking and information technology and has worked in a variety of technical and commercial roles. He holds degrees in Science and Business. He is committed to ensuring that the Company operates as a well-managed, ethical, high functioning and profitable business to enable it to continue supporting local community initiatives and organisations to the fullest extent possible.

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

Interest in shares: 13,000

Brian Thomas Simpson

Independent Non-executive Director (resigned 30 June 2022)

Retired Bank Executive

Brian has had a highly successful career in the banking sector spanning four decades. He has a particular interest in sporting organisations and lives locally in Ivanhoe.

Committee member: Human Resources, Audit and Governance

Interest in shares: 10,000

John Kenneth Nelson

Independent Non-executive Director

Retired Accountant

John served on the Board from 2007 to 2012, and after a break returned in December 2015. John is a qualified Chartered Accountant, and has over 35 years experience in industry as an accountant. He retired from full-time work 14 years ago. He has extensive corporate secretariat knowledge including previously performing the role of Company Secretary for an ASX listed Company. John has lived in the local area all of his life.

Committee member: Audit and Governance, Special Responsibility: Property

Interest in shares: 1,533

Heidelberg District Community Enterprise Limited

Directors' Report

Directors (*continued*)

Jason Gerard Dwyer

Treasurer and Independent Non-executive Director (resigned 7 July 2022)

Occupation: Senior Management

Jason has recently joined Accenture Strategy and Consulting as a leader in their Commercial banking practise. His key focus is on Banking transformation, Commercial Pricing and Asset finance. Jason worked for Bendigo Bank in many key leadership roles across debtor finance, customer experience and equipment finance. He was Regional Manager for Small Business banking for Southeastern Victoria for the last 3 years. Jason is a qualified CPA with 10 years in public practice and a strong background in information systems. Jason holds Bachelor degrees in Arts and Commerce from La Trobe University, and a Graduate Diploma in Information Systems. He lived in Heidelberg for 17 years and now lives in Northcote.

Committee member: Audit and Governance

Interest in shares: 5,000

Anne Marie Rogan

Deputy Chair and Independent Non-executive Director

Education Manager

Anne has worked in education across schools, universities, TAFE and Medical Colleges. For the last 15 years she has led complex teams with a variety of stakeholders to deliver a broad range of national education based projects.

Committee member: Human Resources

Interest in shares: nil

Jeremy Frank McAuliffe

Independent Non-executive Director

Consultant

Jeremy has over 30 years experience in community sector organisations in operational management and executive leadership roles. He currently operates a consulting business that provides governance, compliance and operational support to the aged care sector. He has qualifications in community services and business administration and is an alumnus of the Cranlana Centre for Ethical Leadership. He has lived in the Ivanhoe area for over 25 years and is a life member of two local sporting clubs.

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

Interest in shares: 3,450

Tara O'Brien

Independent Non-executive Director

Student

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

Committee member: Audit and Governance, Marketing and Business Development, Consolidation.

Interest in shares: nil

Peter Philip Howe

Independent Non-executive Director (resigned 23 August 2022)

Chartered Accountant

Peter has worked in own accounting practice for many years, as well as for various accounting practices as an employee or consultant. Peter is involved in tennis and golf clubs and Rotary. Peter holds graduate and post graduate qualifications from both University of Melbourne and RMIT.

Committee member: Audit and Governance.

Interest in shares: nil

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

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

Heidelberg District Community Enterprise Limited

Directors' Report

Company Secretary

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

Principal activity

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

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was:

| Year ended 30 June 2022 | Year ended 30 June 2021 |
|----------------------------|----------------------------|
| \$ | \$ |
| 68,597 | (29,451) |

Operating and financial review

Overview of the Company

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

The Financial Statements this year reflect what were the generally depressed economic environment, the historically low cash rates set by the Reserve Bank and their impact on margins, the effects of the COVID-19 pandemic and lockdowns, the lack of supply in the residential home market and extremely low returns on deposits. However, more recently, conditions have improved and the Company is able to report a return to profitability for 2022. These conditions included improved margins, the expansion of our mobile banking presence and consolidation of our physical operations.

Key metrics

| Five year summary of performance | Unit | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------|-------------|-------------|-------------|-------------|-------------|
| Operating revenue | \$ | 1,878,074 | 1,918,525 | 2,344,448 | 2,519,346 | 2,494,759 |
| Earnings before interest, tax, depreciation, and amortisation | \$ | 325,882 | 216,566 | 606,616 | 402,164 | 509,634 |
| Earnings before interest and tax | \$ | 111,831 | (9,976) | 375,596 | 329,723 | 440,986 |
| Net profit/(loss) after tax | \$ | 68,597 | (29,451) | 237,705 | 236,792 | 319,675 |
| Total assets | \$ | 2,871,095 | 3,450,088 | 3,537,408 | 3,124,437 | 2,948,223 |
| Total liabilities | \$ | 529,202 | 1,130,824 | 1,096,758 | 414,739 | 314,430 |
| Total equity | \$ | 2,341,893 | 2,319,264 | 2,440,650 | 2,709,698 | 2,633,793 |
| Net cash flow from operating activities | \$ | 337,223 | 135,202 | 575,164 | 258,343 | 338,435 |
| Business footings ^{1 and 2} | \$ | 407 million | 370 million | 365 million | 401 million | 386 million |

1) This is a non-IFRS measure of the business domiciled to the Company from the franchisor. The footings is the underlying business which generates revenue under the franchise agreement. Business footings include loans, deposits, wealth products (up until 2019), and other business.

2) The sale of Bendigo Bank's Wealth business during the 2020 financial year resulted in a \$9m reduction in the Company's footings in that financial year.

Heidelberg District Community Enterprise Limited

Directors' Report

Operating and financial review *(continued)*

Shareholder returns

| | | | | | | |
|---|----|--------|----------|---------|---------|---------|
| Profit/(loss) attributable to owners of the Company | \$ | 68,597 | (29,451) | 237,705 | 236,792 | 319,675 |
| Basic earnings per share | ¢ | 2.98 | (1.28) | 10.34 | 10.30 | 13.91 |
| Dividends paid | ¢ | 45,968 | 91,935 | 172,379 | 160,887 | 137,903 |
| Dividends per share | ¢ | 2.00 | 4.00 | 7.50 | 7.00 | 6.00 |
| Net tangible assets per share | ¢ | 1.01 | 97.00 | 101.00 | 107.00 | 109.00 |
| Price earnings ratio | ¢ | 2.98 | (1.28) | 10.34 | 10.30 | 13.91 |
| Share price | ¢ | 75.00 | 60.00 | 75.00 | 75.00 | 75.00 |

Dividends for 2022 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Company performance.

The key metrics table above shows the gross revenue, profits and dividends for the last 5 years for the Company, as well as the share prices at the end of the respective financial years. Whilst revenue had been increasing year on year up until 2020 and then declining, there is no direct correlation between net profit and revenue. This is partially explained by the Company prioritising grants and sponsorships to community groups in preference to reporting profit growth. The Company's performance over the last 5 years has not been reflected in the Company's share price, albeit that in prior years dividends had generally been maintained but by necessity reduced in 2021 and 2022. In 2022, the Company decided not to maintain the same level of contributions to the Community Enterprise Foundation, as the Company already had sufficient funds accumulated in the Foundation to cover its grants program.

Financial position

The Company recorded a profit for the financial year ended 30 June 2022 for reasons outlined in the Overview of the Company. The financial position of the Company remains strong:

- * The cash and cash equivalents position of the Company for the reporting year were \$1,183,299.
- * The Company maintains a resilient balance sheet, ending June 2022 with net assets of \$2,341,893 and borrowings of just
- * The Company does not actively gear its operations, however, as a result of adopting AASB 16 Leases from 1 July 2019, lease liabilities of \$252,658 are now reported on the balance sheet.

Drivers of business performance

The results for the 2021/22 financial year reflect a challenging but improving market. Interest margin decreased under the revenue share arrangement as the market experienced significant re-financing at lower interest rates. However, more recently conditions have improved.

COVID-19 continued to create an uncertain economic environment in Melbourne. The mandatory lockdowns produced significant business disruptions across the community.

Business strategies

To address the challenges that exist within the business and in recognition of the current financial circumstances, both in the economy and the observed impact upon the Bendigo Bank profit share model, the Board has agreed three main objectives:

1. Remaining adaptive to the everchanging economic environment.
2. Future proofing the business.
3. Diversify to survive.

Heidelberg District Community Enterprise Limited

Directors' Report

Operating and financial review (continued)

Future outlook

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

1. Leveraging the Company's mobile lending capabilities.
2. Acquiring additional customers through our strong community relationships.
3. Deepening existing customer relationships.

The Company anticipates more favourable market conditions during the forthcoming financial year.

Remuneration report

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain key management personnel to run and manage the Company.

Key management personnel remuneration policy

Key management personnel receive a base salary, superannuation and discretionary performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each Manager and is based predominantly on the forecast growth of the Company's financial indicators and the contribution of each Manager towards achieving these targets. The Board may exercise its discretion in relation to approving incentives and bonuses. The policy is designed to attract high calibre Managers and reward them for performance results.

Key management personnel receive a superannuation guarantee contribution as required by the government and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Employment agreements have been entered into with key management personnel, the terms of which are not expected to change in the immediate future.

Key management performance based remuneration

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

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

Non-executive Director remuneration policy:

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

The Board's policy is to remunerate non-executive Directors for the demands placed on their time, as well as their commitment and responsibilities. The amount paid is determined by the Board within the limits previously approved by shareholders.

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

Director remuneration includes compulsory superannuation for the financial year ended 30 June 2022. The fees for the Chair, Secretary and Treasurer are determined separately to the other Directors.

Heidelberg District Community Enterprise Limited

Directors' Report

Remuneration report *(continued)*

| | 2022 |
|--|--------|
| | \$ |
| <u>Non-executive director remuneration</u> | |
| Nancy Louise Caple | 5,500 |
| Russell James Hutchins | 5,500 |
| Brian Thomas Simpson | 3,300 |
| John Kenneth Nelson | 3,300 |
| Jason Gerard Dwyer | 5,500 |
| Anne Marie Rogan | 3,300 |
| Jeremy Frank McAulliffe | 3,300 |
| Tara O'Brien | 3,300 |
| Peter Philip Howe | 3,300 |
| | 36,300 |

Directors' interests

| | Fully paid ordinary shares | | |
|-------------------------|------------------------------|-------------------------|----------------------------|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Nancy Louise Caple | 22,500 | 5,000 | 27,500 |
| Russell James Hutchins | 13,000 | - | - |
| Brian Thomas Simpson | 10,000 | - | - |
| John Kenneth Nelson | 1,533 | - | - |
| Jason Gerard Dwyer | 5,000 | - | - |
| Anne Marie Rogan | - | - | - |
| Jeremy Frank McAulliffe | 3,450 | - | - |
| Tara O'Brien | - | - | - |
| Peter Philip Howe | - | - | - |

Dividends

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

| | Cents per share | Total amount \$ |
|------------------------------|-----------------|-----------------|
| Final fully franked dividend | 2 | 45,968 |

Significant changes in the state of affairs

During the financial year, the Company consolidated its operations by closing the Heidelberg branch. The last day of operations was 28 February 2022.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed elsewhere in this Report or the Financial Statements.

Likely developments

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

Heidelberg District Community Enterprise Limited

Directors' Report

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

| | Board Meetings Attended | | Committee Meetings Attended | | | | | | | |
|---|-------------------------|----------|-----------------------------|----------|-----------------|----------|------------------------------------|----------|---------------|----------|
| | | | Audit and Governance | | Human Resources | | Marketing and Business Development | | Consolidation | |
| | <i>E</i> | <i>A</i> | <i>E</i> | <i>A</i> | <i>E</i> | <i>A</i> | <i>E</i> | <i>A</i> | <i>E</i> | <i>A</i> |
| <i>E</i> - eligible to attend <i>A</i> - number attended | | | | | | | | | | |
| Nancy Louise Caple | 11 | 10 | - | - | 10 | 10 | 11 | 9 | 12 | 12 |
| Russell James Hutchins | 11 | 9 | 6 | 5 | 10 | 8 | - | - | 12 | 8 |
| Brian Thomas Simpson | 11 | 10 | 4 | 4 | 10 | 7 | - | - | - | - |
| John Kenneth Nelson | 11 | 10 | 6 | 5 | - | - | - | - | - | - |
| Jason Gerard Dwyer | 11 | 9 | 6 | 3 | - | - | - | - | - | - |
| Anne Marie Rogan | 11 | 8 | - | - | 10 | 8 | - | - | - | - |
| Jeremy Frank McAuliffe | 11 | 9 | - | - | 10 | 10 | 11 | 9 | 12 | 11 |
| Tara O'Brien | 11 | 11 | 6 | 6 | - | - | 11 | 11 | 12 | 12 |
| Peter Philip Howe | 11 | 9 | 2 | 2 | - | - | - | - | - | - |

Proceedings on behalf of the company

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

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

Heidelberg District Community Enterprise Limited

Directors' Report

Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 29 to the accounts.

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

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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



Nancy Louise Caple, Chair

Dated this 16th day of September 2022



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Heidelberg District Community Enterprise Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', written in a cursive style.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 16 September 2022

A handwritten signature in black ink, appearing to read 'Joshua Griffin', written in a cursive style.

Joshua Griffin
Lead Auditor

Heidelberg District Community Enterprise Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--|-------|----------------|-----------------|
| Revenue from contracts with customers | 8 | 1,798,255 | 1,793,787 |
| Other revenue | 9 | 76,194 | 118,148 |
| Finance income | 10 | 3,625 | 6,590 |
| Employee benefit expenses | 11c) | (882,555) | (1,005,324) |
| Advertising and marketing expenses | | (136,129) | (134,032) |
| Occupancy and associated costs | | (115,375) | (120,600) |
| Systems costs | | (78,439) | (101,150) |
| Depreciation and amortisation expense | 11a) | (214,051) | (226,542) |
| Finance costs | 11b) | (20,188) | (39,121) |
| General administration expenses | | (201,751) | (222,353) |
| Loss on disposal of asset | 11e) | (28,361) | - |
| Profit before community contributions and income tax | | 201,225 | 69,403 |
| Charitable donations, grants and sponsorships expense | | (109,582) | (118,500) |
| Profit/(loss) before income tax | | 91,643 | (49,097) |
| Income tax (expense)/benefit | 12a) | (23,046) | 19,646 |
| Profit/(loss) after income tax | | 68,597 | (29,451) |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 68,597 | (29,451) |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted earnings per share: | 32a) | 2.98 | (1.28) |

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited
Statement of Financial Position
as at 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13 | 1,183,299 | 1,128,532 |
| Trade and other receivables | 14a) | 208,003 | 156,747 |
| Current tax assets | 18a) | 9,685 | 56,100 |
| Total current assets | | 1,400,987 | 1,341,379 |
| Non-current assets | | | |
| Property, plant and equipment | 15a) | 1,335,149 | 1,485,430 |
| Right-of-use assets | 16a) | 110,698 | 543,894 |
| Intangible assets | 17a) | 24,261 | 77,069 |
| Deferred tax asset | 18b) | - | 2,316 |
| Total non-current assets | | 1,470,108 | 2,108,709 |
| Total assets | | 2,871,095 | 3,450,088 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19a) | 82,693 | 89,162 |
| Loans and borrowings | 20a) | 1,495 | 1,438 |
| Lease liabilities | 21a) | 103,993 | 192,507 |
| Employee benefits | 23a) | 44,897 | 78,607 |
| Provisions | 22a) | 49,391 | - |
| Total current liabilities | | 282,469 | 361,714 |
| Non-current liabilities | | | |
| Trade and other payables | 19b) | 14,260 | 57,530 |
| Lease liabilities | 21b) | 148,665 | 634,162 |
| Employee benefits | 23b) | 9,841 | 779 |
| Provisions | 22b) | 43,552 | 76,639 |
| Deferred tax liability | 18b) | 30,415 | - |
| Total non-current liabilities | | 246,733 | 769,110 |
| Total liabilities | | 529,202 | 1,130,824 |
| Net assets | | 2,341,893 | 2,319,264 |
| EQUITY | | | |
| Issued capital | 24a) | 1,641,165 | 1,641,165 |
| Reserves | 25a) | 295,301 | 295,301 |
| Retained earnings | 26 | 405,427 | 382,798 |
| Total equity | | 2,341,893 | 2,319,264 |

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited
Statement of Changes in Equity
for the year ended 30 June 2022

| | Notes | Issued capital \$ | Revaluation reserve \$ | Retained earnings \$ | Total equity \$ |
|--|-------|-------------------------|------------------------------|----------------------------|-----------------------|
| Balance at 1 July 2020 | | 1,641,165 | 295,301 | 504,184 | 2,440,650 |
| Total comprehensive income for the year | | - | - | (29,451) | (29,451) |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 31 | - | - | (91,935) | (91,935) |
| Balance at 30 June 2021 | | 1,641,165 | 295,301 | 382,798 | 2,319,264 |
| Balance at 1 July 2021 | | 1,641,165 | 295,301 | 382,798 | 2,319,264 |
| Total comprehensive income for the year | | - | - | 68,597 | 68,597 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 31 | - | - | (45,968) | (45,968) |
| Balance at 30 June 2022 | | 1,641,165 | 295,301 | 405,427 | 2,341,893 |

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited
Statement of Cash Flows
for the year ended 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 2,005,327 | 2,103,528 |
| Payments to suppliers and employees | | (1,728,667) | (1,903,125) |
| Interest received | | 4,521 | 9,021 |
| Interest paid | | (58) | (136) |
| Income taxes received/(paid) | | 56,100 | (37,915) |
| Net cash provided by operating activities | 27 | 337,223 | 171,373 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (964) | (4,270) |
| Payments for intangible assets | | (18,969) | (26,150) |
| Net cash used in investing activities | | (19,933) | (30,420) |
| Cash flows from financing activities | | | |
| Repayments of lease liabilities | | (216,555) | (236,768) |
| Dividends paid | 31 | (45,968) | (91,935) |
| Net cash used in financing activities | | (262,523) | (328,703) |
| Net cash increase/(decrease) in cash held | | 54,767 | (187,750) |
| Cash and cash equivalents at the beginning of the financial year | | 1,128,532 | 1,316,282 |
| Cash and cash equivalents at the end of the financial year | 13 | 1,183,299 | 1,128,532 |

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1 Reporting entity

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

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

Note 2 Basis of preparation and statement of compliance

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

The Financial Statements have been prepared on an accrual and historical cost basis, except for certain properties. The Financial Report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These Financial Statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 16 September 2022.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Revenue from contracts with customers

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

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

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the Company – margin, commission and fee income. Bendigo Bank decides the form of revenue the Company earns on different types of products and services.

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

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

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

Commission

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

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

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

Core banking products

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

Ability to change financial return

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

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

Ability to change financial return (continued)

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

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

b) Other revenue

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

| <u>Revenue</u> | <u>Revenue recognition policy</u> |
|--|---|
| Rental income | Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. |
| Discretionary financial contributions (also "Market Development Fund" or "MDF" income) | MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end. |
| Cash flow boost | Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement). |
| Other income | All other revenues that did not contain contracts with customers are recognised as goods and services are provided. |

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the Board to decide how to use the MDF.

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

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank

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

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

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the Company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

d) Employee benefits*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

d) Employee benefits (*continued*)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|------------------------|-------------------------------------|--------------------|
| Building | Straight-line | 40 years |
| Leasehold improvements | Straight-line and diminishing value | 3 to 13 years |
| Plant and equipment | Straight-line and diminishing value | 2 to 10 years |
| Motor vehicles | Straight-line | 3 to 8 years |

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

h) Intangible assets

Intangible assets of the Company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the Company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|-------------------------------|---------------|-----------------------------------|
| Franchise fee | Straight-line | Over the franchise term (5 years) |
| Franchise renewal process fee | Straight-line | Over the franchise term (5 years) |

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

i) Financial instruments

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

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the Company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The Company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the Company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the Company. The Company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial 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 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).

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 is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

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

l) Provisions

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

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

m) Leases

At inception of a contract, the Company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

m) Leases (*continued*)

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the Company is reasonably certain to exercise that option. For leases of property the Company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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

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

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

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

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

n) Fair value measurement

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

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

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

| <u>Note</u> | <u>Assumptions</u> |
|--|--|
| - Note 18 - recognition of deferred tax assets | availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised; |
| - Note 15 - fair value | determining the fair value less costs to sell of the disposal group on the basis of valuations performed by a third party qualified valuer using quoted prices for similar assets in an active market. |
| - Note 15 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |
| - Note 23 - long service leave provision | key assumptions on attrition rate and pay increases through promotion and inflation; |
| - Note 22 - make-good provision | key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement; |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6 Financial risk management

The Company has exposure to credit, liquidity and market risk arising from financial instruments. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative instruments.

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

a) Credit risk

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

The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank. The Company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2022

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Bank loans | 1,495 | 1,495 | - | - |
| Lease liabilities | 252,658 | 111,172 | 153,803 | - |
| Trade and other payables | 96,953 | 82,693 | 14,260 | - |
| | <u>351,106</u> | <u>195,360</u> | <u>168,063</u> | <u>-</u> |

30 June 2021

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Bank loans | 1,438 | 1,438 | - | - |
| Lease liabilities | 826,669 | 221,535 | 674,704 | - |
| Trade and other payables | 146,692 | 89,162 | 57,530 | - |
| | <u>974,799</u> | <u>312,135</u> | <u>732,234</u> | <u>-</u> |

c) Market risk

Market risk

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

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6 Financial risk management (continued)

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk.

The Company held cash and cash equivalents of \$1,183,299 at 30 June 2022 (2021: \$1,128,532). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2022 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

| | 2022 | 2021 |
|---------------------|------------------|------------------|
| | \$ | \$ |
| - Margin income | 1,616,797 | 1,602,334 |
| - Fee income | 96,848 | 106,398 |
| - Commission income | 84,610 | 85,055 |
| | <u>1,798,255</u> | <u>1,793,787</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9 Other revenue

| | 2022 \$ | 2021 \$ |
|----------------------------------|---------------|----------------|
| - Rental income | 62,201 | 58,198 |
| - Market development fund income | 8,750 | 7,500 |
| - Cash flow boost | - | 37,500 |
| - Other income | 5,243 | 14,950 |
| | <u>76,194</u> | <u>118,148</u> |

Note 10 Finance income

| | 2022 \$ | 2021 \$ |
|-----------------|--------------|--------------|
| - Term deposits | <u>3,625</u> | <u>6,590</u> |

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

| a) Depreciation and amortisation expense | 2022 \$ | 2021 \$ |
|---|----------------|----------------|
| <i>Depreciation of non-current assets:</i> | | |
| - Buildings | 18,563 | 18,563 |
| - Leasehold improvements | 82,806 | 36,836 |
| - Plant and equipment | 13,525 | 6,328 |
| - Motor vehicles | 7,990 | 7,990 |
| | <u>122,884</u> | <u>69,717</u> |
| <i>Depreciation of right-of-use assets</i> | | |
| - Leased land and buildings | <u>71,914</u> | <u>132,655</u> |
| <i>Amortisation of intangible assets:</i> | | |
| - Franchise fee | 3,655 | 4,395 |
| - Franchise renewal process fee | 15,598 | 19,775 |
| | <u>19,253</u> | <u>24,170</u> |
| Total depreciation and amortisation expense | <u>214,051</u> | <u>226,542</u> |
| b) Finance costs | | |
| - Bank loan interest paid or accrued | 57 | 135 |
| - Lease interest expense | 17,209 | 36,171 |
| - Unwinding of make-good provision | 2,922 | 2,815 |
| | <u>20,188</u> | <u>39,121</u> |

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 11 Expenses (continued)

c) Employee benefit expenses

| | | |
|---|----------------|------------------|
| Wages and salaries | 725,905 | 845,768 |
| Non-cash benefits | 8,535 | 8,610 |
| Contributions to defined contribution plans | 76,203 | 83,939 |
| Expenses related to long service leave | (2,157) | (10,407) |
| Other expenses | 74,069 | 77,414 |
| | <u>882,555</u> | <u>1,005,324</u> |

d) Recognition exemption

The Company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

| | 2022 \$ | 2021 \$ |
|---------------------------------------|---------------|---------------|
| Expenses relating to low-value leases | <u>40,334</u> | <u>50,198</u> |

e) Other expenses

| | | |
|---|---------------|----------|
| - Sale of property, plant and equipment | <u>28,361</u> | <u>-</u> |
|---|---------------|----------|

Loss on disposal of assets due to closure of Heidelberg branch during the current period.

Note 12 Income tax expense

a) Amounts recognised in profit or loss

| | 2022 \$ | 2021 \$ |
|--|---------------|-----------------|
| <i>Current tax expense/(credit)</i> | | |
| - Current tax | 5,691 | 148 |
| - Future income tax benefit attributable to losses | (15,376) | (36,839) |
| - Movement in deferred tax | 32,731 | 16,952 |
| - Reduction in Company tax rate | - | 93 |
| | <u>23,046</u> | <u>(19,646)</u> |

b) Prima facie income tax reconciliation

| | | |
|---|---------------|---------------|
| Operating profit before taxation | 91,643 | 74,357 |
| Prima facie tax on loss from ordinary activities at 25% (2021: 26%) | 22,911 | 19,333 |
| Tax effect of: | | |
| - Non-deductible expenses | 135 | 2,776 |
| - Temporary differences | (32,731) | (16,952) |
| - Other assessable income | - | (9,750) |
| - Movement in deferred tax | 32,731 | 16,952 |
| - Reduction in Company tax rate | - | 93 |
| | <u>23,046</u> | <u>12,452</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 13 Cash and cash equivalents

| | 2022 | 2021 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| - Cash at bank and on hand | 253,049 | 198,282 |
| - Term deposits | 930,250 | 930,250 |
| | <u>1,183,299</u> | <u>1,128,532</u> |

Note 14 Trade and other receivables

| a) Current assets | 2022 | 2021 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Trade receivables | 194,523 | 137,593 |
| Prepayments | 4,266 | 9,044 |
| Other receivables and accruals | 9,214 | 10,110 |
| | <u>208,003</u> | <u>156,747</u> |

Note 15 Property, plant and equipment

| a) Carrying amounts | 2022 | 2021 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Land</i> | | |
| At fair value | <u>607,500</u> | <u>607,500</u> |
| <i>Buildings</i> | | |
| At fair value | 742,500 | 742,500 |
| Accumulated depreciation | (74,252) | (55,689) |
| | <u>668,248</u> | <u>686,811</u> |
| <i>Leasehold improvements</i> | | |
| At cost | 506,537 | 506,537 |
| Accumulated depreciation | (456,865) | (345,698) |
| | <u>49,672</u> | <u>160,839</u> |
| <i>Plant and equipment</i> | | |
| At cost | 118,562 | 117,598 |
| Accumulated depreciation | (114,305) | (100,780) |
| | <u>4,257</u> | <u>16,818</u> |
| <i>Motor vehicles</i> | | |
| At cost | 39,950 | 39,950 |
| Accumulated depreciation | (34,478) | (26,488) |
| | <u>5,472</u> | <u>13,462</u> |
| Total written down amount | <u>1,335,149</u> | <u>1,485,430</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

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

| b) Reconciliation of carrying amounts | 2022 | 2021 |
|---------------------------------------|-----------|-----------|
| | \$ | \$ |
| <i>Land</i> | | |
| Carrying amount at beginning | 607,500 | 607,500 |
| <i>Buildings</i> | | |
| Carrying amount at beginning | 686,811 | 705,374 |
| Depreciation | (18,563) | (18,563) |
| | 668,248 | 686,811 |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning | 160,839 | 197,675 |
| Disposals | (28,361) | - |
| Depreciation | (82,806) | (36,836) |
| | 49,672 | 160,839 |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning | 16,818 | 18,876 |
| Additions | 964 | 4,270 |
| Depreciation | (13,525) | (6,328) |
| | 4,257 | 16,818 |
| <i>Motor vehicles</i> | | |
| Carrying amount at beginning | 13,462 | 21,452 |
| Depreciation | (7,990) | (7,990) |
| | 5,472 | 13,462 |
| Total written down amount | 1,335,149 | 1,485,430 |

c) Changes in estimates

During the financial year, the Company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

d) Fair value

The fair value of investment property was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the Company's investment property portfolio every 3 to 5 years.

The Company's freehold land and buildings were independently valued effective 15 June 2018 by Miles Real Estate, a member of the Real Estate Institute of Victoria (REIV). Members of REIV are governed by a code of conduct and are constantly updated on the latest legislative changes.

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 16 Right-of-use assets

| a) Carrying amounts | 2022 | 2021 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| <i>Leased land and buildings</i> | | |
| At cost | 2,167,350 | 2,528,632 |
| Accumulated depreciation | (2,056,652) | (1,984,738) |
| Total written down amount | <u>110,698</u> | <u>543,894</u> |

b) Reconciliation of carrying amounts

| | | |
|----------------------------------|----------------|----------------|
| <i>Leased land and buildings</i> | | |
| Carrying amount at beginning | 543,894 | 369,549 |
| Remeasurement adjustments | (361,282) | 307,000 |
| Depreciation | (71,914) | (132,655) |
| Carrying amount at end | <u>110,698</u> | <u>543,894</u> |

See note 21 lease liabilities for information on the remeasurement.

Note 17 Intangible assets

| a) Carrying amounts | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| | \$ | \$ |
| <i>Franchise fee</i> | | |
| At cost | 66,648 | 72,241 |
| Accumulated amortisation | (61,796) | (58,141) |
| | <u>4,852</u> | <u>14,100</u> |
| <i>Franchise establishment fee</i> | | |
| At cost | 70,000 | 70,000 |
| Accumulated amortisation | (70,000) | (70,000) |
| | <u>-</u> | <u>-</u> |
| <i>Franchise renewal process fee</i> | | |
| At cost | 203,428 | 231,389 |
| Accumulated amortisation | (184,019) | (168,420) |
| | <u>19,409</u> | <u>62,969</u> |
| Total written down amount | <u>24,261</u> | <u>77,069</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 17 Intangible assets (continued)

| b) Reconciliation of carrying amounts | 2022 \$ | 2021 \$ |
|---------------------------------------|---------------|---------------|
| <i>Franchise fee</i> | | |
| Carrying amount at beginning | 14,100 | 18,495 |
| Disposals | (5,593) | - |
| Amortisation | (3,655) | (4,395) |
| | <u>4,852</u> | <u>14,100</u> |
| <i>Franchise renewal process fee</i> | | |
| Carrying amount at beginning | 62,969 | 82,744 |
| Disposals | (27,962) | - |
| Amortisation | (15,598) | (19,775) |
| | <u>19,409</u> | <u>62,969</u> |
| Total written down amount | <u>24,261</u> | <u>77,069</u> |

c) Changes in estimates

During the financial year, the Company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 18 Tax assets and liabilities

| a) Current tax | 2022 \$ | 2021 \$ |
|--|-----------------|-----------------|
| Income tax payable/(refundable) | <u>(9,685)</u> | <u>(56,100)</u> |
| b) Deferred tax | | |
| <i>Deferred tax assets</i> | | |
| - expense accruals | 1,076 | 1,025 |
| - employee provisions | 13,685 | 19,847 |
| - make-good provision | 23,236 | 19,160 |
| - lease liability | 63,165 | 206,667 |
| Total deferred tax assets | <u>101,162</u> | <u>246,699</u> |
| <i>Deferred tax liabilities</i> | | |
| - income accruals | 179 | 403 |
| - property, plant and equipment | 103,723 | 108,006 |
| - right-of-use assets | 27,675 | 135,974 |
| Total deferred tax liabilities | <u>131,577</u> | <u>244,383</u> |
| Net deferred tax assets (liabilities) | <u>(30,415)</u> | <u>2,316</u> |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | <u>32,731</u> | <u>17,045</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 19 Trade creditors and other payables

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

| a) Current liabilities | 2022 \$ | 2021 \$ |
|------------------------------|---------------|---------------|
| Trade creditors | 7,310 | 20,745 |
| Other creditors and accruals | 75,383 | 68,417 |
| | <u>82,693</u> | <u>89,162</u> |
| b) Non-current liabilities | | |
| Other creditors and accruals | <u>14,260</u> | <u>57,530</u> |

Note 20 Loans and borrowings

| a) Current liabilities | 2022 \$ | 2021 \$ |
|---------------------------------------|--------------|--------------|
| Current portion of secured bank loans | <u>1,495</u> | <u>1,438</u> |
| b) Terms and repayment schedule | | |

| | Nominal interest rate | Year of maturity | 30 June 2022 | | 30 June 2021 | |
|--------------------|--------------------------|---------------------|--------------|----------------|--------------|----------------|
| | | | Face value | Carrying value | Face value | Carrying value |
| Secured bank loans | 4.60% | 2023 | 1,495 | 1,495 | 1,438 | 1,438 |

Note 21 Lease liabilities

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

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

The Company's lease portfolio includes:

- East Ivanhoe Branch The lease agreement commenced in April 2001. A 2 year renewal option was exercised in April 2021. The Company has 1 x 2 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is March 2025. The discount rate used in calculations is 3.54%.
- Heidelberg Branch The lease agreement commenced in July 2009. A 3 year renewal option was exercised in September 2019. The Company has 1 x 3 year renewal options available which for AASB 16: Leases purposes they are not reasonably to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2022. The discount rate used in calculations is 3.54%.

| a) Current lease liabilities | 2022 \$ | 2021 \$ |
|------------------------------|----------------|----------------|
| Property lease liabilities | 111,172 | 221,535 |
| Unexpired interest | (7,179) | (29,028) |
| | <u>103,993</u> | <u>192,507</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 21 Lease liabilities (continued)

| b) Non-current lease liabilities | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| Property lease liabilities | 153,803 | 674,704 |
| Unexpired interest | (5,138) | (40,542) |
| | <u>148,665</u> | <u>634,162</u> |
| c) Reconciliation of lease liabilities | | |
| Balance at the beginning | 826,669 | 714,102 |
| Remeasurement adjustments | (357,456) | 313,164 |
| Lease interest expense | 17,209 | 36,171 |
| Lease payments - total cash outflow | (233,764) | (236,768) |
| | <u>252,658</u> | <u>826,669</u> |
| The remeasurement this financial year was due to the closure of the Heidelberg branch. | | |
| d) Maturity analysis | | |
| - Not later than 12 months | 111,172 | 221,535 |
| - Between 12 months and 5 years | 153,803 | 674,704 |
| Total undiscounted lease payments | <u>264,975</u> | <u>896,239</u> |
| Unexpired interest | (12,317) | (69,570) |
| Present value of lease liabilities | <u>252,658</u> | <u>826,669</u> |

Note 22 Provisions

| a) Current liabilities | 2022 | 2021 |
|-----------------------------------|---------------|---------------|
| | \$ | \$ |
| Make-good on leased premises | <u>49,391</u> | - |
| b) Non-current liabilities | | |
| Make-good on leased premises | <u>43,552</u> | <u>76,639</u> |

In accordance with the branch lease agreements, the Company must restore the leased premises to their original condition before the expiry of the lease term. The Company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

| <u>Lease</u> | <u>Lease term expiry date per AASB 16</u> | <u>Total provision</u> |
|---------------------|---|------------------------|
| East Ivanhoe Branch | March 2025 | \$48,000.00 |
| Heidelberg branch | September 2022 | \$49,830.00 |

Note 23 Employee benefits

| a) Current liabilities | 2022 | 2021 |
|-----------------------------------|---------------|---------------|
| | \$ | \$ |
| Provision for annual leave | 30,246 | 50,932 |
| Provision for long service leave | 14,651 | 27,675 |
| | <u>44,897</u> | <u>78,607</u> |
| b) Non-current liabilities | | |
| Provision for long service leave | <u>9,841</u> | <u>779</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 23 Provisions

c) Key judgement and assumptions

Employee attrition rates

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

Note 24 Issued capital

a) Issued capital

| | 2022 | | 2021 | |
|---|------------------|------------------|------------------|------------------|
| | Number | \$ | Number | \$ |
| Ordinary shares - fully paid - East Ivanhoe | 473,010 | 473,010 | 473,010 | 473,010 |
| Bonus shares - fully paid (3:1) | 625,376 | - | 625,376 | - |
| Ordinary shares - fully paid - Heidelberg | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Less equity raising costs | - | (31,845) | - | (31,845) |
| | <u>2,298,386</u> | <u>1,641,165</u> | <u>2,298,386</u> | <u>1,641,165</u> |

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 24 Issued capital (continued)

b) Rights attached to issued capital (continued)

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 429 shareholders (2021: 435 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.

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

Note 25 Reserves

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

a) Disaggregation of reserve balances, net of tax

| | Fair value reserve | |
|--|--------------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Balance at beginning of reporting period | 295,301 | 295,301 |
| Balance at end of reporting period | 295,301 | 295,301 |

Note 26 Retained earnings

| | 2022 | 2021 |
|--|----------|----------|
| | \$ | \$ |
| Balance at beginning of reporting period | 382,798 | 504,184 |
| Net profit (loss) after tax from ordinary activities | 68,597 | (29,451) |
| Dividends provided for or paid | (45,968) | (91,935) |
| Balance at end of reporting period | 405,427 | 382,798 |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 27 Reconciliation of cash flows from operating activities

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Net profit (loss) after tax from ordinary activities | 68,597 | (29,451) |
| Adjustments for: | | |
| - Depreciation | 194,798 | 202,372 |
| - Amortisation | 19,253 | 24,170 |
| - Lease liabilities interest | 17,209 | 36,171 |
| - (Profit)/loss on disposal of non-current assets | 28,361 | - |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | (51,256) | 23,353 |
| - (Increase)/decrease in other assets | 48,731 | (39,056) |
| - Increase/(decrease) in trade and other payables | 2,785 | (22,298) |
| - Increase/(decrease) in employee benefits | (24,648) | (2,033) |
| - Increase/(decrease) in provisions | 2,978 | (3,349) |
| - Increase/(decrease) in tax liabilities | 30,415 | (18,506) |
| Net cash flows provided by operating activities | <u>337,223</u> | <u>171,373</u> |

Note 28 Financial instruments

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

| | Note | 2022 \$ | 2021 \$ |
|------------------------------|------|------------------|------------------|
| Financial assets | | | |
| Cash and cash equivalents | 13 | 253,049 | 198,282 |
| Trade and other receivables | 14 | 208,003 | 147,703 |
| Term deposits | 13 | 930,250 | 930,250 |
| | | <u>1,391,302</u> | <u>1,276,235</u> |
| Financial liabilities | | | |
| Trade and other payables | 19 | 96,953 | 146,692 |
| Secured bank loans | 20 | 1,495 | 1,438 |
| Lease liabilities | 21 | 252,658 | 826,669 |
| | | <u>351,106</u> | <u>974,799</u> |

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 29 Auditor's remuneration

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

| | 2022 \$ | 2021 \$ |
|---|---------------|---------------|
| <i>Audit and review services</i> | | |
| - Audit and review of Financial Statements | 6,700 | 6,500 |
| <i>Non audit services</i> | | |
| - Taxation advice and tax compliance services | 1,325 | 1,300 |
| - General advisory services | 3,260 | 4,270 |
| - Share registry services | 3,270 | 3,859 |
| - Share buy-back consultancy | - | 7,942 |
| Total Auditor's remuneration | <u>14,555</u> | <u>23,871</u> |

Note 30 Related parties

a) Details of key management personnel

The Directors of the Company during the financial year were:

Nancy Louise Caple
 Russell James Hutchins
 Brian Thomas Simpson
 John Kenneth Nelson
 Jason Gerard Dwyer
 Anne Marie Rogan
 Jeremy Frank McAuliffe
 Tara O'Brien
 Peter Philip Howe

b) Director Fees

| | 2022 \$ | 2021 \$ |
|--|---------------|---------------|
| Director fees comprised the following: | | |
| Fees and contributions to a defined superannuation contribution plan | <u>36,300</u> | <u>36,135</u> |

c) Related party transactions

Besides director fee no Director or related entity has entered into a material contract with the Company.

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

| | 30 June 2022 | | 30 June 2021 | |
|------------------------|--------------|---------------|--------------|---------------|
| | Cents | \$ | Cents | \$ |
| Fully franked dividend | <u>2.00</u> | <u>45,968</u> | <u>4.00</u> | <u>91,935</u> |

The tax rate at which dividends have been franked is 25% (2021: 26%).

Heidelberg District Community Enterprise Limited

Notes to the Financial Statements

for the year ended 30 June 2022

Note 31 Dividends provided for or paid (continued)

| b) Franking account balance | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Franking credits available for subsequent reporting periods</i> | | |
| Franking account balance at the beginning of the financial year | 366,165 | 360,552 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | - | 39,789 |
| - Franking credits from the payment of income tax following lodgement of annual income tax | (56,100) | (1,874) |
| - Franking debits from the payment of franked distributions | (15,323) | (32,302) |
| Franking account balance at the end of the financial year | <u>294,742</u> | <u>366,165</u> |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | (9,685) | (56,100) |
| Franking credits available for future reporting periods | <u>285,057</u> | <u>310,065</u> |

The ability to utilise franking credits is dependent upon the Company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 32 Earnings per share

a) Basic and diluted earnings per share

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

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Profit/(loss) attributable to ordinary shareholders | <u>68,597</u> | <u>(29,451)</u> |
| | Number | Number |
| Weighted-average number of ordinary shares | <u>2,298,386</u> | <u>2,298,386</u> |
| | Cents | Cents |
| Basic and diluted earnings per share | <u>2.98</u> | <u>(1.28)</u> |

Note 33 Commitments

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

Note 34 Contingencies

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

Note 35 Subsequent events

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

Heidelberg District Community Enterprise Limited

Directors' Declaration

In accordance with a resolution of the Directors of Heidelberg District Community Enterprise Limited, we state that:

In the opinion of the directors:

- (a) the Financial Statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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



Nancy Louise Caple, Chair

Dated this 16th day of September 2022



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heidelberg District Community Enterprise Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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

- i. giving a true and fair view of the company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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



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Key Audit Matters

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

| Key audit matter | How our audit addressed the matter |
|---|---|
| <p>Revenue Share Model</p> <p>The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.</p> <p>The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement.</p> <p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> ▪ Revenue is recognised appropriately and in line with AASB 15 Revenue from Contracts with Customers. ▪ Reliance on third party auditor EY to review the revenue share model. | <p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ We have obtained the monthly profit share statements from the entire year and analytically assess the existence, accuracy and completeness of revenue. ▪ EY complete a Community Bank Revenue Share Arrangements report on factual findings bi-annually, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. <p>Key observation</p> <p>We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at note 4 a) to the financial statements.</p> |

There are no other key audit matters to disclose for the 30 June 2022 audit.



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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Heidelberg District Community Enterprise Limited's, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 16 September 2022



Joshua Griffin
Lead Auditor