



Seeking partners in community building!

The Daylesford District **Community Bank**[®] Branch is different from other banks – simply put, we are committed to our local community! We have the potential to generate significant funds that may be utilised to enhance our community through partnership with community groups and volunteer organisations, which help make our community a better place to live. You may not know that –

- our **Community Bank**[®] branch has in just over 2 years invested over \$40,000 in partnerships supporting local organisations and events in Daylesford and our surrounding district; and
- our neighbour Creswick & District **Community Bank**[®] Branch has returned close to \$450,000 to its local community in just seven years of operation.

It is unlikely that the other banks located in our region would be able to make such claims! Generating such community contributions is dependent on customers conducting their banking with our **Community Bank**[®] branch.

We are again requesting shareholder support. Our **Community Bank**[®] branch will not realise its full potential without more local people and businesses banking with us. We recognise that you may already conduct your banking business with our **Community Bank**[®] branch and thank you for doing so. But if not, we ask that you give us the chance! And we do highlight that the more you and other shareholders are able to assist as advocates for the **Community Bank**[®] branch by encouraging family, friends, neighbours and colleagues to consider banking with us,

then the more quickly will we see the business become profitable.

The **Community Bank**[®] branch is competitive with other banks; we offer a wide range of banking products, including for all insurance needs, wealth management services and business banking expertise; our banking staff will do all that is necessary to provide you with appropriate products and services and make the transition to banking with the **Community Bank**[®] branch as smooth as possible*. And you will have the added satisfaction of knowing that with every new banking product, potentially more money becomes available to support many aspects of our local community which depend on access to funding support.

Of course, we do recognise the valuable investment of our shareholders, without whom the **Community Bank**[®] branch would not be part of our district, and thank all shareholders for your investment and commitment. With increasing customers and ultimately achieving profits, we will then be able to pay dividends to our shareholders to thank you for giving us your support!

Mark Rak
Board Chair
 Mobile: 0418 106 319

Steven McKinley
Branch Manager
 Phone: 5348 4186 or mobile: 0421 139 494

* **Note:** Please be assured that all banking business is conducted confidentially by our banking staff and no personal banking information is ever available to our Directors.

Daylesford District Community Developments Limited Shop 3, 97 Vincent Street, Daylesford VIC 3460 **ABN** 72 149 943 067
Directors: Mark Rak, Sue Ewart, Joan Janssen, Trevor Miller, Joy Nunn, Fiona Robson, Geoffrey Vincent, Philip Gay.

A successful initiative – Community Partnership Consultation!

The Community Partnerships Consultation held on 5 June 2014 saw the Senior Citizen's center in Daylesford filled to capacity and bursting with the voices of over 70 shareholders, customers, representatives of community groups, other locals, the Mayor, several Councillors and the Council CEO. We could not have wanted for a more successful event.



Our purpose was to seek community input about how we direct the allocation of the available sponsorship monies. Conducting this Consultation has been a major business development initiative as we do require greater community support in order to increase business significantly and achieve profit. We are pleased to report that the event was a significant success, with much evidence of community support of our **Community Bank®** branch. This will give us further impetus in our business development ventures. We will be publishing shortly a summary of the results from the Consultation that will be used to guide our community investment priorities.

- A big thank you to all those who took the time to attend and contribute.



**It's switching your banking to us.
But it's bigger than that.**

**It's \$40,000 poured back into Daylesford
and the surrounding district.**

Our bank invests its profits into our community, so just by banking with us, you automatically become part of something bigger. **Bigger than a bank.**

Drop into your nearest branch at Shop 3, 97 Vincent Street, Daylesford or phone 5348 4186 or apply now at bendigobank.com.au

 **Bendigo Bank**
Bigger than a bank.

bendigobank.com.au

Daylesford District **Community Bank®** Branch

Bendigo and Adelaide Bank Limited, ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. S48164-4a (222713_v1) (6/08/2014)



Annual General Meeting and Grants Night.

We invite all shareholders to attend the Annual General Meeting (AGM) of the company which will be held on **Tuesday 25 November 2014** at 6.00pm at Daylesford Senior Citizens Room, 76 Vincent Street, Daylesford. This special event will include a celebration of, and presentation by, grant recipients, along with the launch of our Community Partnership Consultation Report.

If you only go to one AGM this year, make it this one. An opportunity to celebrate our community and take pride in our success!

The AGM will be followed by a light supper and drinks. Please diarise this date and plan to attend this important event for our company.

Annual Report 2014

As a public company, DDCDL prepares full and half year Audited Financial Statements. All shareholders have been previously notified that the DDCDL Annual Report, including the Audited Financial Statements, is made available each year on our website. Shareholders may also request an emailed or mailed copy.

The Audited Annual Financial Statements will be available from early October 2014 and the Annual Report 2014 from late October 2014 from the DDCDL website www.daylesfordcb.com

Copies of past audited Financial Statements are available at www.bendigobank.com.au/public/community/our-branches/daylesford/investor-relations (under the sub-heading "Financial Statements").

Contact jane.southwell@ddcdl.com or 0417 186 693 if you would like to request a copy of the Annual Report 2014 to be mailed or emailed.

Questions from shareholders.

1. Why have shareholders not received a dividend payment?

At its first AGM in September 2012, the Board proposed a motion that was accepted by the Meeting to the effect that, once the company DDCDL is in a profit position, then its first priority will be to pay a shareholder dividend. This is called the Minimum Dividend Policy.

Dividends have not yet been paid to DDCDL shareholders and this is because the company is not yet making a profit. It was and remains the Board's view that dividends are to be paid once full year trading profits are achieved. We have sought confirmation from our franchise partner Bendigo and Adelaide Bank as to whether it is possible for this to occur even whilst DDCDL is in a cumulative loss position ie. while an overdraft facility is being utilised. We understand that this is feasible, provided we also comply with the requirements of the Corporations Act.

2. Why is the company not yet making a profit?

The Prospectus via which shareholders applied for shares set out various forecasts for profitability of DDCDL over the first three years of operation. Unfortunately the levels of profitability projected have not occurred.

After the first two years of operation, DDCDL has achieved the 100% forecast portfolio (deposits plus loans achieved of \$61.3 million versus \$58.1 million forecast) and managed to reduce anticipated expenses by an estimated 8% in year two. However the revenue achieved on the portfolio has been very disappointing, with revenue being some 45% less than projected.

The Prospectus revenue forecast was supplied to the then Board and was based on historical trends, Bendigo and Adelaide Bank's knowledge of the local and similar markets and feedback from the initial feasibility study and pledges of support.

The reduction in revenue can be attributed to:

- Over optimistic projections which were reliant on historical data;
- Continuing impact flowing from the Global Financial Crisis with lower interest rates affecting direct margins. The official cash rate fell from 4.75% when the Prospectus was published in August 2011 to 2.5% in August 2013 – where it remains;
- Specific reductions to commission margins on various products implemented by Bendigo and Adelaide Bank as part of its reassessment of the appropriate sharing of profits with **Community Bank**[®] franchisees;
- Changing consumer behaviour, whereby customers seek products which yield lower margins.

As reported at our last AGM on 19 November 2013, the Board formed the view that these projections were optimistic and has taken action to reduce costs where it has been able

to. The ongoing revenue outlook remains under pressure and outside the Board's ability to exert any direct impact.

The Board remains optimistic that our **Community Bank**[®] branch can continue to increase its portfolio and local market share and is continuing to manage expenses and seek savings where practical. However, many expenses are mandated by the Franchise Agreement with Bendigo and Adelaide Bank including minimum staffing, equipment leasing and maintenance, etc.

Please be assured that your company's Directors (who are all unpaid volunteers) and staff, together with the support of our franchise partner Bendigo and Adelaide Bank, are doing all we can to redress this situation and build the business. However, the Board is not yet in a position to determine when the company may be able to pay a dividend.

3. How can the company justify paying community sponsorships if not making profit?

Many shareholders have inquired about DDCDL's payment of sponsorships and investments in community groups and events over the past two years.

The community investments and sponsorships come from a special fund called the Market Development Fund made available by our franchise partner Bendigo and Adelaide Bank. The amount of the Fund is based on the banking business (portfolio) actually conducted by our **Community Bank**[®] branch on behalf of customers. The Fund can only be used for marketing related expenses including sponsorships and community investments, but cannot be used to pay shareholder dividends.

So we are not putting the community ahead of shareholders in this regard, but simply utilising the Market Development Fund that Bendigo and Adelaide Bank have made available for this purpose.

Call for nominations of Directors.

Have you considered contributing your local knowledge and work/life experience to the **Community Bank**[®] branch by becoming a Director of DDCDL?

If you would like to nominate yourself or another person for election as a Director, the nomination must be received at the company's registered office by no later than close of business on 13 October 2014.

Contact jane.southwell@ddcdl.com or 0417 186 693 for a nomination form or more information.

Board and staff changes.

We welcome new staff member Sonya Willis, farewell Michelle Cowan and thank all staff under Steven McKinley's leadership for all they do for our **Community Bank®** branch, including attending functions and events after normal office hours.



Since our last Newsletter, Mr Tim Blood, inaugural Chairman of the company, has retired as Chairman and Director. Tim had been a member of the Steering Committee since October 2010 and chaired the Steering Committee in its final stages to achieve the incorporation of the company on 18 March 2011, leading to the establishment of

the Daylesford District **Community Bank®** Branch on 17 April 2012. Tim's leadership, with a depth of experience, determination and conviction, over the company's first 21 months provided the Daylesford district with a significant new business and a valuable community resource.



Mr Glen Heyne, who has also given exceptional service on both the Steering Committee and as one of the first Directors of the company, retired recently. With great enthusiasm, Glen brought to the Board the invaluable resource of guiding the media, marketing and advertising for the company in its early years, for which he is much

appreciated. We acknowledge Glen's ongoing commitment and service to the **Community Bank®** branch in continuing to advise and provide expertise on media related matters even following his retirement.

The Board acknowledges with gratitude the exceptional contribution of both Tim and Glen to the company and to the local community. Thank you!

On behalf of shareholders, we congratulate Mr Mark Rak on his appointment as Chairman of the company and introduce new Directors – Joan Janssen, Trevor Miller and Fiona Robson who joined us at the 2013 AGM.



Left to right: Branch Manager Steven McKinley with Danni Mackley, Jo-Anne Reilly and Yvette Muratti. Right: Sonya Willis.



Left to right: Back row – Trevor Miller, Mark Rak (Chair), Geoff Vincent and Phil Gay. Front row - Sue Ewart, Fiona Robson, Joan Janssen and Jane Southwell (Company Secretary), Absent: Joy Nunn.

Shares for sale.

For various reasons, a number of shareholders are seeking to sell some shares. If you know of anyone who may like to acquire shares in DDCDL, these are available for purchase through the Low Volume Market (LVM). See www.daylesfordcb.com and click on the 'Shareholder Information' tab and then the 'Trading Shares' tab. Or contact Jane Southwell on 0417 037 320 or jane.southwell@ddcdl.com

Daylesford District Community Bank® Branch

Shop 3, 97 Vincent Street, Daylesford VIC 3460

Phone: 5348 4186

Opening hours: Monday to Thursday 9.30am – 4.00pm, Friday 9.30am – 5.00pm and Saturday mornings 9.30am – 12 noon

Website: www.daylesfordcb.com www.bendigobank.com.au/daylesford



bendigobank.com.au

