



# annual report **2012**

Daylesford District Community  
Developments Limited

ABN 72 149 942 067



# Contents

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<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>4</b>
<b>Bendigo and Adelaide Bank Ltd report</b>	<b>5</b>
<b>Directors' report</b>	<b>7</b>
<b>Auditor's independence declaration</b>	<b>13</b>
<b>Financial statements</b>	<b>14</b>
<b>Notes to the financial statements</b>	<b>18</b>
<b>Directors' declaration</b>	<b>34</b>
<b>Independent audit report</b>	<b>35</b>

# Chairman's report

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For period ending 30 June 2012

On behalf of the Board of Directors, I am delighted to deliver this first Annual Report of Daylesford District Community Developments Limited (referred to as the "Company").

After three years of hard work and dedication by the members of the Steering Committee, the Company was incorporated on 18 March 2011 for the purpose of establishing and operating the Daylesford District **Community Bank**<sup>®</sup> Branch of Bendigo Bank, which opened for business on the 17 April 2012.

Our **Community Bank**<sup>®</sup> branch has made an encouraging start, notwithstanding the uncertain economic times. At year-end, we had over 900 Customers with \$34 million in loan and deposit accounts. As it took longer than expected to raise the minimum level of capital required for us to establish the **Community Bank**<sup>®</sup> branch, we have incurred slightly higher establishment costs due to having to commit to the lease for the **Community Bank**<sup>®</sup> branch premises earlier than planned. Otherwise, other establishment costs and trading losses are generally in line with those forecast in the Prospectus.

We have set a challenging budget for the coming financial year focussed on endeavouring to achieve our first month of positive cash flow by 30 June 2013.

Our partner - Bendigo and Adelaide Bank Limited - has provided the Company with a Market Development Fund, which is in addition to our entitlements under the Franchise Agreement, to assist the Company through the early years of business development. This Fund has also enabled us to award total sponsorships of approximately \$8,500 to 12 organisations during this period. It is anticipated that a Market Development Fund will again be provided in the coming year, thereby enabling the Company to continue to award a level of sponsorships notwithstanding the anticipated further trading losses that are likely to continue until we reach profitability.

During the year, Director David Stagg resigned from the Board due to his business commitments and Director Lee Manning resigned to take up a position in Daylesford District **Community Bank**<sup>®</sup> Branch. We thank both David and Lee for their service and commitment. Director and Company Secretary David Hall also retired from the Board at the end of the financial year. David was a founding member of the Steering Committee and we particularly thank David for his unstinting and outstanding contribution.

We have recently welcomed four new Directors: Phil Gay, John Smith, Geoff Vincent and Joy Nunn, further strengthening our Board.

We have established an excellent working partnership with Bendigo and Adelaide Bank and greatly appreciate their attentive support and guidance.

We particularly thank our staff, under the able leadership of our Branch Manager Jacqui Graham, for their dedication and effort and appreciate their determination to provide the very best service to our valued customers.

I would finally like to express my sincere thanks to each of our Directors for their continued hard work and dedication to the establishment, governance and success of the **Community Bank**<sup>®</sup> branch, acknowledging that this contribution is significant given that all Directors serve on an unpaid voluntary basis.

## Chairman's report (continued)

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For our Company to achieve its tremendous potential, we need to progressively increase our customer base. I urge all shareholders to encourage friends and colleagues to give the Daylesford District **Community Bank**<sup>®</sup> Branch the opportunity to be of service.

I assure all **shareholders that your Board of Directors is determined to build a profitable Community Bank**<sup>®</sup> branch, which will enable the Company to provide future shareholder dividends and give strong community support through sponsorships, grants and donations in the many years to come.

***Our Local Bank, Our Local Community, Thriving Together.***

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

**Timothy Blood**  
**Chairman**

# Manager's report

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For year ending 30 June 2012

I am pleased to present the Branch Manager's report for the year ended 30 June 2012.

Daylesford District **Community Bank**<sup>®</sup> Branch opened for business on 17 April 2012. At financial year end, we had been trading for only 12 weeks and were very pleased with our progress over this short period.

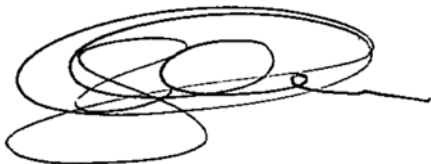
With the transfer of banking business from the previous Bendigo Bank agency and many customers opting to transfer accounts held in other Bendigo Bank branches, we opened with a total portfolio of approximately \$27 million and have increased the portfolio by more than 25% by financial year end.

This is indeed a great start and is due to the hard work of our Board members, dedicated staff and Bendigo Bank specialists, to whom I extend my appreciation and thanks. Our four full-time and two part-time staff members are fully trained by Bendigo Bank. We are committed to high standards of customer service and to developing strong relationships with our customers and the local community.

The key element for our **Community Bank**<sup>®</sup> branch's success is the community and in particular, those who become our customers. The faith and confidence displayed by customers is appreciated. The branch welcomes ongoing feedback to enable us to improve service and better understand our customers' needs.

I am confident that with the ongoing dedication of the staff, we will continue to attract new customers, while servicing our existing customers with the highest standards of service.

I would like to thank the Board of Directors for their engagement and ongoing support, enabling me to serve the Daylesford district community as part of the Daylesford District **Community Bank**<sup>®</sup> Branch team.



**Jacqui Graham**

**Branch Manager**

Daylesford District **Community Bank**<sup>®</sup> Branch

# Bendigo and Adelaide Bank Ltd report

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For period ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**<sup>®</sup> network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**<sup>®</sup> model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**<sup>®</sup> model has become so much more.

In the past financial year a further 20 **Community Bank**<sup>®</sup> branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**<sup>®</sup> sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**<sup>®</sup> network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**<sup>®</sup> branches – 295
- **Community Bank**<sup>®</sup> branch staff – more than 1,400
- **Community Bank**<sup>®</sup> branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**<sup>®</sup> network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**<sup>®</sup> model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has also seen much success.



# Bendigo and Adelaide Bank Ltd report (continued)

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Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**<sup>®</sup> partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**<sup>®</sup> margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**<sup>®</sup> partners.

We've been working with the **Community Bank**<sup>®</sup> network to take action to reduce this imbalance (which is in favour of the **Community Bank**<sup>®</sup> partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**<sup>®</sup> shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**<sup>®</sup> shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

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



**Russell Jenkins**  
**Executive Customer and Community**

# Directors' report

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For the period ended 30 June 2012

Your Directors submit their report of the Company for the period ended 30 June 2012, being the period commencing on the date of incorporation of the Company on 18 March 2011 and ending 30 June 2012.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial period are:

### Timothy Blood

Chairperson

Board member since 18 March 2011

#### Qualifications & Experience:

Bachelor of Engineering (Mechanical) with Honours (Melb); former CEO/Chairman of P&O Australia Limited; currently part-time Business Consultant & Director of Central Highlands Region Water Corporation.

#### Other responsibilities:

Chairperson, Marketing & Sponsorship Committee (from 26 June 2012)

### Jeffrey Colin Bain

Director & Treasurer

Board member since 18 March 2011

#### Qualifications & Experience:

Bachelor of Economics (Tas); Fellow of Institute of Chartered Accountants in Australia and of CPA Australia; currently small business proprietor specialising in superannuation, tax, accounting and auditing.

#### Other responsibilities:

Finance, Audit & Risk Committee

### Susan Wendy Ewart

Director

Board member since 18 March 2011

#### Qualifications & Experience:

Dip of Food & Food Service and Dip of Education; teaching experience at secondary and tertiary levels; former restaurateur, caterer and gourmet food shop owner; currently local business partner with husband in manufacturing and part-time real estate sales consultant with Eco Property; foundation member setting up school breakfast programs in Prahran and Colac.

#### Other responsibilities:

Chairperson, Marketing & Sponsorship Committee (resigned 26 June 2012); Marketing & Sponsorship Committee

### Philip Roy Gay

Director

Board member since 16 April 2012

#### Qualifications & Experience:

Bachelor of Arts (finance & accounting), Advanced Management Program (Harvard Business School), Fellow of CPA Australia and Fellow of Chartered Secretaries Australia; former Chief Financial Officer of Pacific Dunlop Ltd, Director of 7-Eleven Stores Pty Ltd and its parent Company RG Withers Holdings Pty Ltd; now operates a Poll Hereford cattle stud.

#### Other responsibilities:

Finance, Audit & Risk Committee



# Directors' report (continued)

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## Directors (continued)

### David George Hall

Director & Company Secretary (Retired 30 June 2012)  
Board member since 18 March 2011

#### Qualifications & Experience:

Now retired; former Managing Director of leading Melbourne advertising agency and Marketing Director of the Australian Dairy Corporation; managed own marketing consultancy (15 years); chaired the committee which established the Melbourne Foodbank, founded Words in Winter Celebrations, member of committee that established the ARC Recreation Centre and a founding member of U3A Hepburn.

#### Other responsibilities:

Marketing & Sponsorship Committee (retired 30 June 2012)

### Leonie Manning

Director (Resigned 1 March 2012)  
Board member since 18 March 2011

#### Qualifications & Experience:

Over 15 years payroll & administration experience with Hepburn Health Service and active community volunteer; resigned as a Director to take employment with Daylesford District **Community Bank**<sup>®</sup> Branch.

### Marek Julius Rak

Deputy Chairperson  
Board member since 18 March 2011

#### Qualifications & Experience:

Bachelor of Science (Monash); Grad Dip EDP (RMIT); founder & retired Managing Director of Trident Computer Services Pty Ltd; member of Committee of Management of Daylesford Neighbourhood Centre and Treasurer of the Daylesford Men's Shed.

#### Other responsibilities:

Chairperson, Finance, Audit & Risk Committee

### Glen Grayham Heyne

Director  
Board member since 18 March 2011

#### Qualifications & Experience:

Considerable experience as a freelance writer and broadcaster, marketing consultant, publicity & media Officer for Adelaide Festival Centre Trust and Festival of Arts, Vic Manager for SA Tourism and as a local councillor; now local business proprietor, Chairman of Words in Winter and on National Advisory Council of Australian Poetry.

#### Other responsibilities:

Marketing & Sponsorship Committee; Media Liaison

### Joy Elizabeth Nunn

Director  
Board member since 1 July 2012

#### Qualifications & Experience:

Bachelor of Science Education (Melb), Grad Dip of Computers in Education (Monash) and Master of Education (Monash) with extensive experience in rural/regional secondary education and as a Senior Lecturer at the University of Ballarat; now semi-retired educational consultant.

#### Other responsibilities:

Marketing & Sponsorship Committee

### John Leonard Smith

Director  
Board member since 16 April 2012

#### Qualifications & Experience:

Diploma of Financial Services and Fellow of the Australian Insurance Institute; almost 50 years experience in the general insurance industry including in business development and customer service and as Managing Director of the John Smith Insurance Group; previously a Director of the Pinewood **Community Bank**<sup>®</sup> Branch; now retired.

#### Other responsibilities:

Marketing & Sponsorship Committee; Insurance

# Directors' report (continued)

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## Directors (continued)

### David Laurence Stagg

Director (Resigned 6 July 2011)

Board member since 18 March 2011

#### Qualifications & Experience:

Solicitor with over 40 years experience managing a general legal practice in Greensborough; experience in commercial property developments and the aged care industry; now retired and running a local orchard and cidery.

### Geoffrey William Vincent

Director

Board member since 16 April 2012

#### Qualifications & Experience:

Diploma of Agricultural Science; former Deputy Chief Executive Officer and General Manager for Parks Victoria and Executive Director Regional Services for Dept of Natural Resources and Environment; currently operates consultancy business and is a Director of North East Region Water Authority.

#### Other responsibilities:

Finance, Audit & Risk Committee

Directors were in office for the entire period unless otherwise stated.

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

## Principal activities

The principal activities of the Company during the period ended 30 June 2012 were in establishing a **Community Bank**<sup>®</sup> branch and commencing to provide services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. During the period the Company issued a prospectus and successfully raised the capital required to commence the franchise.

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

## Operating results

The loss of the Company for the period ended 30 June 2012 after provision for income tax was \$168,910.

## Financial position

The net assets of the Company at 30 June 2012 were \$406,610.

## Dividends

The Directors recommend that no dividend be paid for the current period.

## Significant changes in the state of affairs

During the period the Company, having raised the capital required, completed the fit-out of premises, hired staff to operate the Branch and commenced trading as Daylesford District **Community Bank**<sup>®</sup> Branch on 17 April 2012.

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 period under review not otherwise disclosed in this report.

## Events after the reporting period

There are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Company.

## Future developments

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

# Directors' report (continued)

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## **Environmental issues**

The Company is not subject to any significant environmental regulation.

## **Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the period.

## **Remuneration report**

No Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

No Director of the Company receives remuneration for services as a Director or Committee member. However, Directors are entitled to claim reimbursement for expenses incurred in their role as Directors of the Company.

Under the Corporations Act 2001 (Cth), the Company is required to disclose information about its remuneration policy and practice in relation to the remuneration of 'key management personnel'. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company. For the purposes of this Report, the Board has determined that the only key management personnel of the Company are the Directors. The names of each Director, and if the person has been a Director for less than the whole financial period or there have been any changes in the Board up to the date of Board approval of the financial statements, the date on which the person began, or ceased, holding the position are set out at the beginning of this Report.

It is Board policy that the Directors of the Company act in a voluntary capacity and receive no remuneration or other benefits for their services. The Board believes that the provision of services to the Company by the Directors on a voluntary basis is consistent with the principles of **Community Bank®** model, including that the **Community Bank®** Company is established for the benefit of the broader community. The Directors view their voluntary contribution as a contribution to the community. They also believe that providing services on a voluntary basis enhances the reputation of the Company in the community, which potentially has flow on effects for community engagement and the use by members of the community of financial services offered through the Company. This places the Company in the best position to maximise its earnings performance, which enables the Company to fulfil a key objective of making community contributions, as well as improving Shareholder wealth.

## **Indemnifying Officers or Auditor**

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers' Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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.

## Directors' report (continued)

### Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the period were:

Director	Board meetings #	Finance, Audit & Risk Committee Meetings #	Marketing & Sponsorship Committee Meetings #
Timothy Blood	23 (24)	N/A	N/A
Jeffrey Bain	24 (24)	4 (4)	N/A
Susan Ewart	22 (24)	N/A	3 (3)
Philip Gay	3 (3)	4 (4)	N/A
David Hall	22 (24)	N/A	2 (3)
Glen Heyne	22 (24)	N/A	3 (3)
Leonie Manning	18 (20)	N/A	N/A
Joy Nunn~	0	N/A	N/A
Marek Rak	21 (24)	4 (4)	N/A
John Smith	1 (3)	N/A	2 (3)
David Stagg	5 (8)	N/A	N/A
Geoff Vincent*	0 (3)	N/A	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.  
 N/A – not a member of that Committee.  
 ~ Ms Nunn was appointed 24 May 2012 to take effect from 1 July 2012  
 \* Mr Vincent accepted appointment as a Director from 16 April 2012, but was unable to attend Board Meetings due to commitments made prior to his appointment.

### Company secretary

David George Hall has been the Company Secretary of Daylesford District Community Developments Limited since 18 March 2011 and held the position until his retirement on 30 June 2012. David's qualifications and experience include being a Managing Director of a leading Melbourne advertising agency and Marketing Director of the Australian Dairy Corporation. David also managed his own marketing consultancy business for 15 years.

The Company has appointed Jane Theresa Southwell to the position of Company Secretary from 1 July 2012. Jane holds Bachelors' Degrees in Law and Arts and has had over 20 years experience in company secretarial, management and legal roles within the financial services sector.

# Directors' report (continued)

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## Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of a Finance, Audit & Risk Committee. Members of this Committee are - Marek Rak (Chairperson), Jeffrey Bain, Philip Gay and Geoffrey Vincent;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Non audit services

The Directors in accordance with advice from the Finance, Audit & Risk Committee, are satisfied that the provision of non audit services during the period is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Finance, Audit & Risk Committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

## Auditor independence declaration

The Auditor's independence declaration for the period ended 30 June 2012 has been received and can be found on page 13 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Daylesford on 8 August 2012.



**Timothy Blood,**  
Chairperson



**Marek Rak,**  
Deputy Chairperson

# Auditor's independence declaration

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**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

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Bendigo, Victoria  
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The Directors  
Daylesford District Community Development Limited  
PO Box 571  
Daylesford VIC 3460

To the Directors of Daylesford District Community Development Limited

## **Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

I declare that to the best of my knowledge and belief, during the period ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

**Warren Sinnott**  
Partner  
Dated at Bendigo, 8 August 2012

# Financial statements

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## Statement of comprehensive income for the period ended 30 June 2012

	Note	2012 \$
Revenue	2	66,055
Employee benefits expense	3	(114,723)
Depreciation and amortisation expense	3	(23,330)
Finance costs	3	(647)
Other expenses		(159,482)
<b>Operating loss before charitable donations &amp; sponsorships</b>		<b>(232,127)</b>
Charitable donations and sponsorships		(8,600)
<b>Loss before income tax expense</b>		<b>(240,727)</b>
Income tax benefit	4	(71,817)
<b>Net loss for the period</b>		<b>(168,910)</b>
Other comprehensive income		-
<b>Total comprehensive income for the period</b>		<b>(168,910)</b>
<b>Earnings per share (cents per share)</b>		
- basic for loss for the period	22	(28)
- diluted for loss for the period	22	(28)

The accompanying notes form part of these financial statements.



## Financial statements (continued)

### Statement of financial position as at 30 June 2012

	Note	2012 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6	112,415
Receivables	7	32,432
<b>Total Current Assets</b>		<b>144,847</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	8	233,211
Deferred tax asset	4	71,817
Intangible assets	9	139,598
Prepayments	10	596
<b>Total Non-Current Assets</b>		<b>445,222</b>
<b>Total Assets</b>		<b>590,069</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables	11	36,569
Borrowings	12	23,859
Provisions	13	7,442
<b>Total Current Liabilities</b>		<b>67,870</b>
<b>Non-Current Liabilities</b>		
Borrowings	12	115,589
<b>Total Non-Current Liabilities</b>		<b>115,589</b>
<b>Total Liabilities</b>		<b>183,459</b>
<b>Net Assets</b>		<b>406,610</b>
<b>Equity</b>		
Issued capital	14	575,520
Accumulated losses	15	(168,910)
<b>Total Equity</b>		<b>406,610</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the period ended 30 June 2012

	Note	2012 \$
<b>Cash Flows From Operating Activities</b>		
Cash receipts in the course of operations		34,725
Cash payments in the course of operations		(244,356)
Interest paid		(647)
Interest received		3,864
<b>Net cash flows from/(used in) operating activities</b>	<b>16b</b>	<b>(206,414)</b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant & equipment		(241,969)
Payments for intangibles		(154,170)
<b>Net cash flows from/(used in) investing activities</b>		<b>(396,139)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings		139,448
Proceeds from issue of shares		600,008
Equity raising costs paid		(24,488)
<b>Net cash flows from/(used in) financing activities</b>		<b>714,968</b>
<b>Net increase in cash held</b>		<b>112,415</b>
Cash and cash equivalents at start of period		-
<b>Cash and cash equivalents at end of period</b>	<b>16a</b>	<b>112,415</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### Statement of changes in equity for the period ended 30 June 2012

	Note	2012 \$
<b>ISSUED CAPITAL</b>		
Balance at start of period		-
Issue of share capital		600,008
Share issue costs		(24,488)
<b>Balance at end of period</b>		<b>575,520</b>
<b>ACCUMULATED LOSSES</b>		
Balance at start of period		-
Net loss for the period		(168,910)
Dividends paid	23	-
<b>Balance at end of period</b>		<b>(168,910)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For period ended 30 June 2012

## Note 1. Summary of significant accounting policies

### **(a) Basis of preparation**

Daylesford District Community Developments Limited ('the Company') is domiciled in Australia. The financial statements for the period ending 30 June 2012 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 8 August 2012.

### **(b) Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

### **(c) Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (c) Property, plant and equipment (continued)

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

<b>Class of asset</b>	<b>Depreciation rate</b>
Plant & equipment	40 - 67 %
Leasehold improvements	6.7%
Motor vehicles	25%

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

### (d) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### (e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(f) Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

### **(g) Intangible assets**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

### **(h) Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **(i) Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **(j) Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **(k) New accounting standards for application in future periods**

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the Company's financial statements.

### **(l) Loans and borrowings**

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

### **(m) Provisions**

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(n) Share capital**

Issued and paid up capital is 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.

### **(o) Comparative figures**

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. No comparatives for the 2011 year are provided as the Company commenced trading during the current period.

### **(p) Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

#### Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

#### Income tax

The Company is subject to income tax. Significant judgement is required in determining the provision for income tax.

#### Impairment

The Company assesses impairment at the end of each reporting period by calculating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

### **(q) Financial instruments**

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.



# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (q) Financial instruments (continued)

#### Classification and subsequent measurement (continued)

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

#### (i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

#### (ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

#### Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

**2012**  
**\$**

## Note 2. Revenue

### **Revenue from continuing activities**

- services commissions	55,108
- market development fund	7,083
- other revenue	-
	<b>62,191</b>
<b>Other revenue</b>	
- interest received	3,864
- other revenue	-
	<b>3,864</b>
	<b>66,055</b>

## Notes to the financial statements (continued)

	2012 \$
<b>Note 3. Expenses</b>	
<b>Employee benefits expense</b>	
- wages and salaries	85,104
- superannuation costs	7,658
- workers' compensation costs	245
- other costs	21,716
	<b>114,723</b>
<b>Depreciation of non-current assets:</b>	
- leasehold improvements	3,783
- furniture & fittings	1,912
- motor vehicles	3,063
Amortisation of non-current assets:	
- intangible assets	14,572
	<b>23,330</b>
<b>Finance costs:</b>	
- Interest paid	647
<b>Note 4. Income tax expense</b>	
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:	
Prima facie tax on loss before income tax at 30%	(72,218)
Add tax effect of:	
- Non-deductible expenses	401
<b>Current income tax benefit</b>	<b>(71,817)</b>
<b>Income tax benefit</b>	<b>(71,817)</b>
The applicable weighted average effective tax rate is 30%	
<b>Deferred tax asset</b>	
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>71,817</b>

## Notes to the financial statements (continued)

**2012**  
**\$**

### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report	2,900
- Prospectus and feasibility costs	11,371
	<b>14,271</b>

### Note 6. Cash and cash equivalents

**Cash at bank and on hand** **112,415**

### Note 7. Receivables

Trade debtors	27,466
Other assets	4,966
	<b>32,432</b>

### Note 8. Property, plant and equipment

#### Leasehold Improvements

At cost	192,313
Less accumulated depreciation	(3,783)
	<b>188,530</b>

#### Furniture & Fittings

At cost	13,780
Less accumulated depreciation	(1,912)
	<b>11,868</b>

#### Motor Vehicles

At cost	35,876
Less accumulated depreciation	(3,063)
	<b>32,813</b>

**Total written down amount** **233,211**

## Notes to the financial statements (continued)

	2012 \$
Note 8. Property, plant and equipment (continued)	
<b>Movements in carrying amounts</b>	
<b>Building Improvements</b>	
Carrying amount at beginning of period	-
Additions	192,313
Disposals	-
Depreciation expense	(3,783)
<b>Carrying amount at end of period</b>	<b>188,530</b>
<b>Furniture &amp; Fittings</b>	
Carrying amount at beginning of period	-
Additions	13,780
Disposals	-
Depreciation expense	(1,912)
<b>Carrying amount at end of period</b>	<b>11,868</b>
<b>Motor Vehicles</b>	
Carrying amount at beginning of period	-
Additions	35,876
Disposals	-
Depreciation expense	(3,063)
<b>Carrying amount at end of period</b>	<b>32,813</b>

## Note 9. Intangible assets

### Franchise Fee

At cost	10,000
Less accumulated amortisation	(1,167)
	<b>8,833</b>

### Establishment Fee

At cost	100,000
Less accumulated amortisation	(11,667)
	<b>88,333</b>

## Notes to the financial statements (continued)

	<b>2012</b>
	<b>\$</b>
Note 9. Intangible assets (continued)	
<b>Agency Fees</b>	
At cost	44,170
Less accumulated amortisation	(1,738)
	<b>42,432</b>
	<b>139,598</b>

### Note 10. Prepayments

<b>Prepaid Borrowing Costs</b>	
At cost	626
Less write-off	(30)
	<b>596</b>

### Note 11. Payables

Trade creditors	15,701
Other creditors and accruals	20,868
	<b>36,569</b>

### Note 12. Borrowings

<b>Current</b>	
Chattel mortgages	34,110
Unexpired interest	(10,251)
	<b>23,859</b>
<b>Non-current</b>	
Chattel mortgages	134,605
Unexpired interest	(19,016)
	<b>115,589</b>

## Notes to the financial statements (continued)

	<b>2012</b>
	<b>\$</b>
Note 12. Borrowings (continued)	
<b>Finance lease commitments</b>	
Payable - minimum lease payments:	
- not later than 12 months	34,110
- between 12 months and five years	134,605
- later than five years	-
<b>Minimum lease payments</b>	<b>168,715</b>
<b>Less future finance charges</b>	<b>(29,267)</b>
<b>Present value of minimum lease payments</b>	<b>139,448</b>

## Note 13. Provisions

<b>Employee benefits</b>	<b>7,442</b>
<b>Movement in employee benefits</b>	
Opening balance	-
Additional provisions recognised	7,442
Amounts utilised during the period	-
<b>Closing balance</b>	<b>7,442</b>

## Note 14. Share capital

600,008 Ordinary Shares fully paid of \$1 each	600,008
Less: Equity raising costs	(24,488)
	<b>575,520</b>

The Company has authorised share capital amounting to 600,008 ordinary shares.

## Note 15. Accumulated losses

Balance at the beginning of the financial period	-
Loss after income tax	(168,910)
<b>Balance at the end of the financial period</b>	<b>(168,910)</b>

## Notes to the financial statements (continued)

2012  
\$

### Note 16. Statement of cash flows

#### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>112,415</b>
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#### (b) Reconciliation of loss after tax to net cash provided used in operating activities

Loss after income tax	(168,910)
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#### Non cash items

- Depreciation	8,758
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- Amortisation	14,572
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#### Changes in assets and liabilities

- (Increase) decrease in receivables	(33,028)
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- (Increase) decrease in deferred tax asset	(71,817)
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- (Increase) decrease in income tax payable	-
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- Increase (decrease) in payables	36,569
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- Increase (decrease) in provisions	7,442
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<b>Net cashflows used in operating activities</b>	<b>(206,414)</b>
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### Note 17. Director and related party disclosures

The names of Directors who have held office during the financial period are:

Timothy Blood

Jeffrey Colin Bain

Susan Wendy Ewart

Philip Roy Gay

David George Hall (retired 30 June 2012)

Glen Grayham Heyne

Leonie Joy Manning (resigned 1 March 2012)

Joy Elizabeth Nunn

Marek Julius Rak

John Leonard Smith

David Laurence Stagg (resigned 6 July 2011)

Geoffrey William Vincent

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.



## Notes to the financial statements (continued)

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### Note 17. Director and related party disclosures (continued)

<b>Directors and related party shareholdings</b>	<b>2012</b>
Timothy Blood	10,002
Jeffrey Colin Bain	2,953
Susan Wendy Ewart	1,500
Philip Roy Gay	2,500
David George Hall (retired 30 June 2012)	2,500
Glen Grayham Heyne	1,401
Leonie Joy Manning (resigned 1 March 2012)	4,301
Joy Elizabeth Nunn	1,000
Marek Julius Rak	23,001
John Leonard Smith	2,000
David Laurence Stagg (resigned 6 July 2011)	6,300
Geoffrey William Vincent	20,000

There was no movement in Directors shareholdings during the period. Each share held has a paid up value of \$1 and is fully paid.

### Note 18. Events after the reporting period

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

### Note 19. Contingent liabilities and assets

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

### Note 20. Operating segments

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one geographic area being Daylesford, Victoria. The Company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue.

### Note 21. Corporate information

Daylesford District Community Developments Limited is a Company limited by shares incorporated in Australia.

The registered office & principle place of business is: Shop 3, 97 Vincent Street, Daylesford VIC 3460.

## Notes to the financial statements (continued)

2012  
\$

### Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Loss after income tax expense</b>	<b>(168,910)</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>600,008</b>

### Note 23. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the period.

### Note 24. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$
<b>Financial Assets</b>		
Cash & cash equivalents	6	112,415
Receivables	7	32,432
<b>Total Financial Assets</b>		<b>144,847</b>
<b>Financial Liabilities</b>		
Payables	11	36,569
Borrowings	12	139,448
<b>Total Financial Liabilities</b>		<b>176,017</b>

#### Financial Risk Management Policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Finance, Audit and Risk Committee which reports regularly to the Board.

# Notes to the financial statements (continued)

## Note 24. Financial risk management (continued)

### Specific Financial Risk Exposure and Management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

#### **(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. For the Company it arises from receivables and cash assets.

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

The Company's maximum exposure to credit risk at reporting date was:

	<b>Carrying amount 2012 \$</b>
Cash and cash equivalents	112,415
Receivables	32,432
	<b>144,847</b>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the Company are past due and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

#### **(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### Financial liability and financial asset maturity analysis

	<b>Total \$</b>	<b>Within 1 year \$</b>	<b>1 to 5 years \$</b>	<b>Over 5 years \$</b>
<b>30 June 2012</b>				
<b>Financial liabilities due for payment</b>				
Payables	(36,569)	(36,569)	-	-
Loans and borrowings	(168,715)	(34,110)	(134,605)	-
<b>Total expected outflows</b>	<b>(205,284)</b>	<b>(70,679)</b>	<b>(134,605)</b>	<b>-</b>

# Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

## (b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2012</b>				
<b>Financial assets - cashflow realisable</b>				
Cash & cash equivalents	112,415	112,415	-	-
Receivables	32,432	32,432	-	-
<b>Total anticipated inflows</b>	<b>144,847</b>	<b>144,847</b>	-	-
<b>Net (outflow)/inflow on financial instruments</b>	<b>(60,437)</b>	<b>74,168</b>	<b>(134,605)</b>	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012.

## (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2012 \$
<b>Fixed rate instruments</b>	
Financial assets	-
Financial liabilities	139,448
	<b>139,448</b>
<b>Floating rate instruments</b>	
Financial assets	112,415
Financial liabilities	-
	<b>112,415</b>

# Notes to the financial statements (continued)

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## Note 24. Financial risk management (continued)

### (c) Market risk (continued)

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. As at reporting date this assumes all other variables remain constant.

The Company has no exposure to fluctuations in foreign currency.

### (d) Price risk

The Company is not exposed to any material price risk.

### Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company does not have any unrecognised financial instruments at period end.

### Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the 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 Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period. 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 period ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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In accordance with a resolution of the Directors of Daylesford District Community Developments Limited, the Directors of the Company declare that:

- 1 the financial statements and notes of the Company as set out on pages 14 to 33 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2012 and of the performance for the period ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



**Timothy Blood,**  
**Chairperson**



**Marek Rak,**  
**Deputy Chairperson**

Signed at Daylesford on 8 August 2012.

# Independent audit report

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**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF DAYLESFORD DISTRICT COMMUNITY  
DEVELOPMENTS LIMITED**

## Report on the Financial Report

We have audited the accompanying financial report of Daylesford District Community Developments Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

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

The directors of the company are responsible for the preparation of the financial report that 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 Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

### *Auditor's Responsibility*

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

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

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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Richmond Sinnott & Delahunty  
ABN 60 616 244 309  
Liability limited by a scheme  
approved under Professional  
Standards Legislation

**Partners:**  
Warren Sinnott  
Cara Hall  
Brett Andrews  
Philip Delahunty  
Kathie Teasdale  
David Richmond



# Independent audit report (continued)

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## *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Daylesford District Community Developments 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 2012 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**W. J. SINNOTT**  
Partner

Dated at Bendigo, 8 August 2012



Daylesford District **Community Bank**<sup>®</sup> Branch  
 97 Vincent Street, Daylesford VIC 3460  
 Phone: (03) 5348 4186 Fax: (03) 5348 1225

Franchisee:  
 Daylesford District Community Developments Limited  
 Shop 3, 97 Vincent Street, Daylesford VIC 3460  
 Phone: 0417 186 693  
 ABN: 72 149 942 067  
[www.ddcb.com.au](http://www.ddcb.com.au)  
[www.bendigobank.com.au/daylesford](http://www.bendigobank.com.au/daylesford)

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 Castle Corporate Pty Ltd,  
 Level 2, 2A Cambridge Street, Box Hill VIC 3128

