Daylesford District Community Developments Limited

ABN 72 149 942 067

ANNUAL REPORT 2013

Daylesford District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

On behalf of the Board of Directors, I am delighted to deliver this 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®** Branch, which opened for business on the 17 April 2012. We have now completed our first full year of operation.

Our **Community Bank®** branch has made an encouraging start, notwithstanding the uncertain economic times. At year-end, we had 1,172 customers with $50.35 million in loan and deposit accounts. Whilst the growth in loans and deposits is very encouraging, the level of revenue derived has been significantly less than forecast, primarily due to the reduced banking margins as a result of lower interest rates and lower yielding product mix. Nevertheless we continue to receive strong support from Bendigo and Adelaide Bank and they have provided a greater injection of revenue this year than required under the terms of the Franchise Agreement, in support of the company.

We have set a challenging budget for the coming financial year, however, it is unlikely in this economic climate that we will achieve our first month of positive cash flow by 30 June 2014. That will certainly be our goal in the 2014/15 financial year.

Bendigo and Adelaide Bank has continued to provide 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 enabled us to award $16,787 in sponsorships, grants and donations to 25 local community organisations, projects and events during the 2013 financial year. We have in total invested back into the local community over $25,000 since we commenced operation, and these community contributions continue to grow.

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 support notwithstanding the anticipated further trading losses until we reach profitability. The company is holding a Community Consultation Forum early next year to provide an opportunity for community members to express their views on the most appropriate way to disburse these funds. Our particular focus is to provide community support that in turn generates increased business for Daylesford District **Community Bank®** Branch, as it is only by business growth that we will be able to increase community contributions above and beyond the Market Development Fund, in the years ahead.

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

During the year we appointed a new Branch Manager Steven McKinley, who has made significant progress in both extending the business growth and developing strong working relationships with customers and potential customers. We also have been able to amend the staffing levels to better suit our trading experience and have reduced from four full time and two part time staff to two full time and three part time staff.

We particularly thank all our staff 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®** branch, acknowledging that this contribution is significant given that all Directors serve on an unpaid voluntary basis.

Chairman's report (continued)

For our company to achieve its tremendous potential, we need to progressively increase our customer base. In particular we ask all shareholders to encourage the many businesses in town that are supported by us all to give the Daylesford District **Community Bank®** Branch the opportunity to be of service.

I assure all shareholders that your Board of Directors is determined to build a profitable **Community Bank®** 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.

Timothy Blood
Chairman

Manager's report

For year ending 30 June 2013

It is with pleasure that I present the Manager's report for Daylesford District **Community Bank®** Branch for the year ending 30 June 2013.

Over the past 12 months we have seen our banking business grow by $17 million and as at 30 June 2013, we reached $50.35 million in on-book business footings. This is a positive result for some 14 months trading and a credit to the hard work of all involved.

In reporting business growth, we remind ourselves that our core focus has and always will be the local community. A growing and profitable **Community Bank®** branch equates to a strong community and in saying this, we need the continued support of the community as much as the community will benefit from the support of the **Community Bank®** branch. Daylesford District **Community Bank®** Branch offers a full range of banking services and by supporting your local branch, means you directly invest into your community.

What is the next 12 months going to look like? We need our business to continue to grow with your support and assistance. Our focus will be to increase products and services available to the people and businesses of the Daylesford District, to increase customer numbers and to become the most efficient customer-focussed bank in the District!

There are many projects and programs that received grant funding or sponsorship as a direct result of members of our community simply banking with us. We have been able to provide just over $25,000 since our beginnings in early 2012 through to 30 June 2013, which is a fantastic result and all thanks to those who bank with us. A real highlight this year is the funding allocated towards youth development including the joint Rotary Agricultural Scholarship, the Daylesford Hepburn United Soccer Club and the Swim School program.

A community consultation is planned for early next year and I know we will see strong connected partnerships forged with community organisations and local business. A connected partnership is one that benefits the customer, the community and your **Community Bank®** branch. As already mentioned, a strong and growing **Community Bank®** branch is able to invest in community projects and programs that directly make a difference. We can only do this through customers banking with us.

I take this opportunity to invite you - our shareholders - to bank truly locally and support a real **Community Bank®** branch through which banking business placed locally, benefits locally. I also encourage you as, stakeholders, to become advocates of our **Community Bank®** concept. Our **Community Bank®** branch is something that we can all be really proud of. By advocacy and support, your **Community Bank®** branch becomes strong and so too does your community.

To my staff, Steve, Danielle, Jane, Yvette, Lee and Jo-Anne, I personally wish to thank you for your encouragement, engagement and vision during the year. At all times I feel we have the full support of the staff in all our endeavours. Our team is committed to the provision of excellent customer service and community engagement and this is very reflective of the Bendigo Bank brand. During the year, Jane O'Donohue (nee Lienhop) left our team to work from another branch, and although it was a short period of time we worked together, I valued her focus and commitment. I also thank and congratulate Steve Glass, who has also recently moved on to another branch.

Manager's report (continued)

To the Board of Daylesford District Community Developments Limited, I thank you for your trust and confidence in me and also the continual encouragement I receive from each and every one of you.

Finally, my staff and I wish to thank you, our shareholders and customers, for supporting our business for the last 12 months and for choosing Daylesford District **Community Bank®** Branch as your **Community Bank®** branch of preference.

Steven McKinley
Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching $100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank®** model has become so much more.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – $102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – $24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – $30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This $100 million goes 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 the 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), tertiary education scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be 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®** shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

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

With the community's support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Timothy Blood Chairman Board member since March 2011	Bachelor of Engineering (Melb)	Former CEO/Chairman of P&O Australia Limited; former Director of Central Highlands Region Water Corporation; currently Managing Director of NSW Ports Pty Ltd.
Jeffrey Colin Bain Director & Treasurer Board member since March 2011 Resigned 10 August 2012	Bachelor of Economics (Tas); Fellow of Institute of Chartered Accountants in Australia and of CPA Australia	Small business proprietor specialising in superannuation, tax, accounting and auditing.
Susan Wendy Ewart Director Board member since March 2011	Dip of Food & Food Service; 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 tourism.
Philip Roy Gay Director & Treasurer Board member since April 2012	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 & Operating Group Managing Director 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.
Glen Grayham Heyne Director Board member since March 2011		Over 50 years' 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; former local councillor and Chairman of Words in Winter; now a local business proprietor.
Joy Elizabeth Nunn Director Board member since July 2012	Bachelor of Science Education (Melb), Grad Dip of Computers in Education (Monash) and Master of Education (Monash)	Extensive experience in rural/regional secondary education and as a Senior Lecturer at the University of Ballarat; now retired.

Directors (continued)

Marek Julius Rak Deputy Chairman Board member since March 2011	Bachelor of Science (Monash); Grad Dip EDP (RMIT)	Founder & retired Managing Director of Trident Computer Services Pty Ltd; Treasurer of the Daylesford Men's Shed.
John Leonard Smith Director Board member since April 2012 Resigned 10 September 2013	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**® Branch; now retired.
Geoffrey William Vincent Director Board member since April 2012	Diploma of Agricultural Science	Former Deputy Chief Executive Officer and General Manager for Parks Victoria and former Executive Director Regional Services for Dept of Natural Resources and Environment; former Director of North East Region Water Authority; currently operates consultancy business.

Directors were in office for this entire year 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 course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The loss of the company for the financial year after providing for income tax was $97,342 (2012 loss: $168,910).

The company's results saw the banking business portfolio grow broadly in line with expectations despite the need to recruit a new Branch Manager during the year. Margins achieved were less than anticipated due to pressures caused by lower interest rates, variations in the expected product mix and optimistic expectations. However the 2013 result was boosted by a one-off non-operating income item, being assistance provided by Bendigo and Adelaide Bank Limited representing cash benefits to the value of $145,000 before tax and an agreement to delay the reduction in commissions on some products in the coming year in support of the company.

The net assets of the company have decreased to $309,268 (2012: $406,610). The decrease is due to the trading loss for the year.

Dividends

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

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

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

Likely developments

The company will continue its policy of providing banking services to the community. The company remains optimistic that the level of the banking portfolio will continue to grow, however, due to margin pressures and adverse product mix, the company expects to experience operating losses for the current financial year.

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Remuneration report

Remuneration policy

Director positions are held on a voluntary basis and Directors are not remunerated for their services. 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 year 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.

Remuneration benefits and payments

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 of which a Director is a member or an entity in which a Director has a substantial financial interest.

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 incurred 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.

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 year.

Directors' meetings

The number of meetings of Directors held during the year were 9 Board meetings, 12 Finance & Audit Committee meetings and 7 Sponsorship Committee meetings. Attendances by each Director during the year were as follows:

Director	Board meetings #	Finance & audit committee meetings #	Sponsorship committee* meetings #
Timothy Blood	8 (9)	^3	^~4 (3)
Jeffrey Colin Bain	1 (1)	1 (1)	N/A
Susan Wendy Ewart	^^5 (9)	N/A	5 (7)
Philip Roy Gay	9 (9)	11 (12)	N/A
Glen Grayham Heyne	8 (9)	N/A	6 (7)
Joy Elizabeth Nunn	8 (9)	N/A	5 (7)
Marek Julius Rak	7 (9)	11 (12)	N/A
John Leonard Smith	8 (9)	N/A	5 (7)
Geoffrey William Vincent	**4 (9)	**7 (12)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
* The Sponsorship Committee also has responsibility for Advertising and Marketing.
N/A - not a member of that Committee.
^ Mr Blood as Board Chairman is entitled to attend all Committee meetings ex officio.
~ Mr Blood was Chairman of the Sponsorship Committee for 3 Meetings, following which he attended ex officio.
** Mr Vincent was granted leave of absence from September to November 2012 due to other responsibilities.
^^ Ms Ewart was unavailable July to October 2012 due to incapacitation.

Directors' report (continued)

Company Secretary

The company 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.

Non audit services

The Directors in accordance with advice from the Finance & Audit Committee, are satisfied that the provision of non audit services during the year 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 Committee prior to commencement to ensure they do not adversely affect the 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

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 13 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Daylesford on 24 September 2013.

Philip Gay
Director and Treasurer

Marek Rak
Deputy Chairperson

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Daylesford District Community Developments Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 24 September 2013

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

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2a	396,244	66,055
Employee benefits expense	3	(343,474)	(114,723)
Depreciation and amortisation expense	3	(57,254)	(23,330)
Finance costs	3	(11,728)	(647)
Bad and doubtful debts expense	3	(231)	-
Rental expense	3	(49,209)	(54,476)
Other expenses	3	(197,175)	(105,006)
Operating profit/(loss) before charitable donations & sponsorships		**(262,827)**	**(232,127)**
Non-operating income	2b	145,000	-
Charitable donations and sponsorships		(16,787)	(8,600)
Profit/(loss) before income tax expense		**(134,614)**	**(240,727)**
Tax expense / (benefit)	4	(37,272)	(71,817)
Profit/(loss) for the year		**(97,342)**	**(168,910)**
Other comprehensive income		-	-
Total comprehensive income		**(97,342)**	**(168,910)**
Profit/(loss) attributable to:			
Members of the company		-	-
Total		**(97,342)**	**(168,910)**

Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	(16.22)	(28.15)
- diluted for profit / (loss) for the year	22	(16.22)	(28.15)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	6,205	112,415
Trade and other receivables	7	35,594	32,432
Prepayments	10	17,930	-
Total current assets		**59,729**	**144,847**
Non-current assets			
Property, plant and equipment	8	208,156	233,211
Deferred tax asset	4	109,089	71,817
Prepayments	10	455	596
Intangible assets	9	108,764	139,598
Total non-current assets		**426,464**	**445,222**
Total assets		**486,193**	**590,069**
Liabilities			
Current liabilities			
Trade and other payables	11	50,645	36,569
Borrowings	12	25,966	23,859
Provisions	13	12,222	7,442
Total current liabilities		**88,833**	**67,870**
Non current liabilities			
Borrowings	12	88,092	115,589
Total non current liabilities		**88,092**	**115,589**
Total liabilities		**176,925**	**183,459**
Net assets / (liabilities)		**309,268**	**406,610**
Equity			
Issued capital	14	575,520	575,520
Retained earnings / (accumulated losses)	15	(266,252)	(168,910)
Total equity		**309,268**	**406,610**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**-**	**-**	**-**
Total comprehensive income for the year		-	(168,910)	(168,910)
Transactions with owners, in their capacity as owners				
Shares issued during the year		600,008	-	600,008
Share issue costs		(24,488)	-	(24,488)
Balance at 30 June 2012		**575,520**	**(168,910)**	**406,610**
Balance at 1 July 2012		**575,520**	**(168,910)**	**406,610**
Total comprehensive income for the year		-	(97,342)	(97,342)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	-	-
Balance at 30 June 2013		**575,520**	**(266,252)**	**309,268**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		387,391	34,725
Payments to suppliers and employees		(600,843)	(244,356)
Dividend revenue received		-	-
Interest paid		(11,728)	(647)
Interest received		725	3,864
Net cash flows from/(used in) operating activities	**16b**	**(224,455)**	**(206,414)**
Cash flows from investing activities			
Receipts from non-operating income	16c	145,000	-
Purchase of property, plant & equipment		(1,365)	(241,969)
Payments for intangibles		-	(154,170)
Net cash flows from/(used in) investing activities		**143,635**	**(396,139)**
Cash flows from financing activities			
Proceeds from borrowings		-	139,448
Repayments of borrowings		(25,390)	-
Proceeds from issue of shares		-	600,008
Equity raising costs paid		-	(24,488)
Net cash flows from/(used in) financing activities		**(25,390)**	**714,968**
Net increase/(decrease) in cash held		**(106,210)**	**112,415**
Cash and cash equivalents at start of year		112,415	-
Cash and cash equivalents at end of year	**16a**	**6,205**	**112,415**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Daylesford District Community Developments Limited.

Daylesford District Community Developments Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

Comparative figures

The comparative figures relate to the period from 18 March 2011 (incorporation date) to 30 June 2012.

(b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements after consideration of the following factors:

(i) The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed within the area. The company has reported a loss after tax of $97,342 (2012: 168,910) for the year ended 30 June 2013. The company has budgeted for a loss of approximately $171,000 before tax for the 2013/14 year. The Directors will continue to review their growth forecast and cashflow throughout the 2013/14 year.

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2013/14 financial year and beyond through the provision of an overdraft facility for $150,000. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with the Bank to further develop its business. The company believes that it is fulfilling these obligations.

Note 1. Summary of significant accounting policies (continued)

(c) 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.

(d) 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.

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

Class of asset	**Depreciation rate**
Plant & equipment	40 - 67 %
Leasehold improvements	6.7%
Motor vehicles	25%

<u>Impairment</u>

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.

<u>Revaluations</u>

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) 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.

(f) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(g) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(h) Intangibles

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 Profit or Loss and Other Comprehensive Income.

(i) Cash

Cash on hand and in banks is stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

Note 1. Summary of significant accounting policies (continued)

(k) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(l) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(m) Loans and borrowings

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

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Note 1. Summary of significant accounting policies (continued)

(n) Provisions (continued)

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(o) 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.

(p) Comparative figures

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

(q) 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 deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

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.

Note 1. Summary of significant accounting policies (continued)

(r) 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.

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 at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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 to be 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 is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 $	2012 $

Note 2. Revenue and other income

	2013 $	2012 $
(a) Revenue		
- services commissions	346,203	55,108
- market development fund	45,720	7,083
- other revenue	3,596	-
	395,519	**62,191**
Other revenue		
- interest received	725	3,864
Total revenue	**396,244**	**66,055**
(b) Non-operating income		
- One-off Assistance	118,000	-
- Value of relieving Manager for 3 months	27,000	-
	145,000	**-**

Non-operating income relates to one-off assistance provided by Bendigo and Adelaide Bank Limited (BABL) being cash benefits to the value of $145,000. This income will not be replicated in future years.

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	272,571	85,104
- Relieving Manager salary, waived by Bendigo and Adelaide Bank Limited	27,000	-
- superannuation costs	23,872	7,658
- workers' compensation costs	845	245
- other costs	19,186	21,716
	343,474	**114,723**
Depreciation of non-current assets:		
- leasehold improvements	12,822	3,783
- furniture & fittings	5,375	1,912
- motor vehicles	8,223	3,063
	26,420	**8,758**
Amortisation of non-current assets:		
- intangible assets	30,834	14,572
	57,254	**23,330**

	2013 $	2012 $

Note 3. Expenses (continued)

	2013 $	2012 $
Finance costs:		
- Interest paid	11,728	647
Bad debts	231	-
Rental expense	49,209	54,476
The rental expense for the current year has been decreased by $12,000 in order to account for a prepayment of rent, which was paid in the prior year.		
Other expenses:		
- Administration & general costs	58,662	62,498
- Advertising & marketing	24,750	14,278
- IT costs	50,682	9,436
- Occupancy costs	50,459	17,940
- ATM costs	5,451	563
- Motor vehicle costs	7,171	291
	197,175	**105,006**

Note 4. Tax expense/ (benefit)

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	(40,384)	(72,218)
Add tax effect of:		
- Non-deductible expenses	3,112	401
Current income tax expense/ (benefit)	**(37,272)**	**(71,817)**
Income tax attributable to the entity	**(37,272)**	**(71,817)**
The applicable weighted average effective tax rate is	28%	30%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**109,089**	**71,817**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

	2013 $	2012 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	4,150	2,900
- Prospectus and feasibility costs	-	11,371
	4,150	**14,271**

Note 6. Cash and cash equivalents

	2013 $	2012 $
Bendigo Business Cash Management Cheque	5,966	112,415
Bendigo EFTPOS	239	-
	6,205	**112,415**

Note 7. Trade and other receivables

Current

	2013 $	2012 $
Trade debtors	35,594	27,466
GST Receivable	-	4,966
	35,594	**32,432**

Credit risk

The company has a single concentration of credit risk with respect to a single counterparty being Bendigo and Adelaide Bank Limited.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Notes to the financial statements (continued)

Note 7. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	35,594	-	-	-	-	35,594
Total	**35,594**	**-**	**-**	**-**	**-**	**35,594**
2012						
Trade receivables	27,466	-	-	-	-	27,466
Total	**27,466**	**-**	**-**	**-**	**-**	**27,466**

Note 8. Property, plant and equipment

	2013 $	2012 $
Leasehold Improvements		
At cost	192,313	192,313
Less accumulated depreciation	(16,605)	(3,783)
	175,708	**188,530**
Furniture & Fittings		
At cost	15,145	13,780
Less accumulated depreciation	(7,287)	(1,912)
	7,858	**11,868**
Motor Vehicles		
At cost	35,876	35,876
Less accumulated depreciation	(11,286)	(3,063)
	24,590	**32,813**
Total written down amount	**208,156**	**233,211**
Movements in carrying amounts		
Building improvements		
Carrying amount at beginning of period	188,530	-
Additions	-	192,313
Disposals	-	-
Depreciation expense	(12,822)	(3,783)
Carrying amount at end of period	**175,708**	**188,530**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 8. Property, plant and equipment (continued)

	2013 $	2012 $
Furniture & fittings		
Carrying amount at beginning of period	11,868	-
Additions	1,365	13,780
Disposals	-	-
Depreciation expense	(5,375)	(1,912)
Carrying amount at end of period	**7,858**	**11,868**
Motor vehicles		
Carrying amount at beginning of period	32,813	-
Additions	-	35,876
Disposals	-	-
Depreciation expense	(8,223)	(3,063)
Carrying amount at end of period	**24,590**	**32,813**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(3,167)	(1,167)
	6,833	**8,833**
Establishment fee		
At cost	100,000	100,000
Less accumulated amortisation	(31,667)	(11,667)
	68,333	**88,333**
Agency fees		
At cost	44,170	44,170
Less accumulated amortisation	(10,572)	(1,738)
	33,598	**42,432**
	108,764	**139,598**

	2013 $	2012 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

	2013 $	2012 $
Franchise fee		
Balance at the beginning of the reporting period	8,833	-
Additions	-	10,000
Disposals	-	-
Amortisation expense	(2,000)	(1,167)
Balance at the end of the reporting period	**6,833**	**8,833**
Establishment fee		
Balance at the beginning of the reporting period	88,333	-
Additions	-	100,000
Disposals	-	-
Amortisation expense	(20,000)	(11,667)
Balance at the end of the reporting period	**68,333**	**88,333**
Agency fee		
Balance at the beginning of the reporting period	42,432	-
Additions	-	44,170
Disposals	-	-
Amortisation expense	(8,834)	(1,738)
Balance at the end of the reporting period	**33,598**	**42,432**

Note 10. Prepayments

	2013 $	2012 $
Current		
Prepaid Rent, Bond and Insurance	17,930	-
	17,930	**-**
Non current		
Prepaid borrowing costs		
At cost	626	626
Less write-off	(171)	(30)
	455	**596**

	2013 $	2012 $

Note 11. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
Trade creditors	19,847	15,701
Other creditors and accruals	30,798	20,868
	50,645	**36,569**

Note 12. Borrowings

	2013 $	2012 $
Current		
Chattel mortgages	34,110	34,110
Unexpired interest	(8,144)	(10,251)
	25,966	**23,859**
Non-current		
Chattel mortgages	98,371	134,605
Unexpired interest	(10,279)	(19,016)
	88,092	**115,589**
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	34,110	34,110
- between 12 months and five years	98,371	134,605
- later than five years	-	-
Minimum lease payments	**132,481**	**168,715**
Less future finance charges	**(18,423)**	**(29,267)**
Present value of minimum lease payments	**114,058**	**139,448**

Note 13. Provisions

	2013 $	2012 $
Employee benefits	**12,222**	**7,442**
Movement in employee benefits		
Opening balance	7,442	-
Additional provisions recognised	21,182	7,922
Amounts utilised during the year	(16,402)	(480)
Closing balance	**12,222**	**7,442**

	2013 $	2012 $

Note 13. Provisions (continued)

Current		
Annual leave	12,222	7,442
Total provisions	**12,222**	**7,442**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

Note 14. Share capital

600,008 Ordinary shares fully paid of $1 each	600,008	600,008
Less: Equity raising costs	(24,488)	(24,488)
	575,520	**575,520**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	600,008	-
Shares issued during the year	-	600,008
At the end of the reporting period	**600,008**	**600,008**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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.

Note 14. Share capital (continued)

Capital management (continued)

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $
Note 15. Retained earnings / (accumulated losses)		
Balance at the beginning of the reporting period	(168,910)	-
Profit/(loss) after income tax	(97,342)	(168,910)
Balance at the end of the reporting period	**(266,252)**	**(168,910)**
Note 16. Statement of cash flows		
(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows		
As per the statement of financial position	6,205	112,415
less Bank overdraft	-	-
As per the statement of cash flow	**6,205**	**112,415**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	(97,342)	(168,910)
- Add back non-operating income	(145,000)	-
Non cash items		
- Depreciation	26,420	8,758
- Amortisation	30,834	14,572

	2013 $	2012 $

Note 16. Statement of cash flows (continued)

Changes in assets and liabilities

	2013 $	2012 $
- (Increase) decrease in receivables	(21,495)	(33,028)
- (Increase) decrease in deferred tax asset	(37,109)	(71,817)
- Increase (decrease) in payables	14,076	36,569
- Increase (decrease) in provisions	4,780	7,442
Net cash flows from/(used in) operating activities	**(224,836)**	**(206,414)**

(c) A cash benefit of $118,000 is the amount received from Bendigo and Adelaide Bank Limited, while a further $27,000 was the Relieving Manager's salary that was paid directly by Bendigo and Adelaide Bank Limited.

(d) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $150,000 (2012: $0). This may be terminated at any time at the option of the bank. At 30 June 2013, $0 of this facility was used (2012: $0).

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements (continued)

Note 17. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Daylesford District Community Developments Limited held by each key management personnel of the company (including their associates) during the financial year is as follows:

	2013	2012
Timothy Blood	10,002	10,002
Jeffrey Colin Bain	2,953	2,953
Susan Wendy Ewart	1,500	1,500
Philip Roy Gay	2,500	2,500
Glen Grayham Heyne	1,401	1,401
Joy Elizabeth Nunn	1,000	1,000
Marek Julius Rak	23,001	23,001
John Leonard Smith	2,000	2,000
Geoffrey William Vincent	20,000	20,000

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

There have been no events after the end of the financial year 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 District, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 100% of the revenue (2012: 100%).

	2013 $	2012 $

Note 21. Company details

The registered office & principle place of business is:

Shop 3, 97 Vincent Street, Daylesford VIC 3460

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (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:

	2013 $	2012 $
Profit/(loss) after income tax expense	**(97,342)**	**(168,910)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**600,008**	**600,008**

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 as detailed in the accounting policies are as follows:

		2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	6,205	112,415
Trade and other receivables	7	35,594	32,432
Total financial assets		**41,799**	**144,847**
Financial liabilities			
Trade and other payables	11	50,645	36,569
Loans & borrowings	12	114,058	139,448
Total financial liabilities		**164,703**	**176,017**

Note 24. Financial risk management (continued)

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 and Audit Committee which reports regularly to the Board. The Finance and Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 (2012: nil 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 and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A rated	**6,205**	**112,415**

(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, or borrowing facility, 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.

In addition the company has established an overdraft facility of $150,000 with Bendigo and Adelaide Bank Limited.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	11	50,645	50,645	–	–
Loans and borrowings	12	114,058	25,966	88,092	–
Total expected outflows		**164,703**	**76,611**	**88,092**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	6,205	6,205	–	–
Trade and other receivables	7	35,594	35,594	–	–
Total anticipated inflows		**41,799**	**41,799**	**–**	**–**
Net (outflow)/inflow financial instruments		**(122,904)**	**(34,812)**	**(88,092)**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	11	36,569	36,569	–	–
Loans and borrowings	12	139,448	23,859	115,589	–
Total expected outflows		**176,017**	**60,428**	**115,589**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	112,415	112,415	–	–
Trade and other receivables	7	32,432	32,432	–	–
Total anticipated inflows		**144,847**	**144,847**	**–**	**–**
Net (outflow)/inflow financial instruments		**(31,170)**	**84,419**	**115,589**	**–**

Note 24. Financial risk management (continued)

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	0.01%	0.01%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(771)	(771)
	(771)	**(771)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	100	100
	100	**100**

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 year end.

Directors' declaration

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 38 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 2013 and of the performance for the year 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.

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

Philip Gay,
Director and Treasurer

Marek Rak
Deputy Chairperson

Signed at Daylesford on 24 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S 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 2013, the statement of profit or loss and other 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 entity comprising the company and the entities it controlled at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Daylesford District Community Developments Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. Note 1(b) "Going Concern' in the financial statements indicates the company recorded a loss after tax of $96,961 (2012: loss of $168,910). The directors have prepared a budget for the 2013/14 year which indicates a budgeted loss before tax of $171,260 will be recorded.

The directors have received a financial facility to assist with working capital requirements for the next twelve months. Without the financial facility, there is significant uncertainty whether Daylesford District Community Developments Limited will continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 24 September 2013

Franchisee:
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Shop 3, 97 Vincent Street, Daylesford VIC 3460
Phone: 0417 186 693
ABN: 72 149 942 067
www.daylesfordcb.com
www.bendigobank.com.au/daylesford

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

(BMPAR13096) (09/13)

Daylesford District **Community Bank**® Branch
Shop 3, 97 Vincent Street, Daylesford VIC 3460
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