Annual Report 2016

Daylesford District Community Developments Limited

ABN 72 149 942 067

Daylesford District **Community Bank**® Branch

Contents

Chairman's Report

For year ended 30 June 2016

On behalf of the Board of Directors, I am delighted to deliver the Chairman's Report for Daylesford District Community Developments Limited ("the company") which operates the Daylesford District **Community Bank**® Branch.

Our **Community Bank**® branch grew to $85.2 million of loans and deposits (footings) at the end of the financial year, an increase of $11 million over the year which equates to 15% growth.

It is very pleasing that through a combination of footings' growth and continuing control of expenses, the company was able to generate its first profitable month in October 2015 and continued this trend for much of the remainder of the financial year.

The final result of a small after tax loss of $2,471 was a significant improvement on last year and on the budget for the financial year. The final result was adversely affected by the May interest rate drop and a one-off impact resulting from the adjustment to the deferred tax asset due to the company tax rate reducing from 30% to 28.5%. In fact, the impact of the company tax rate change ($10,176) meant that what would have been otherwise a profitable year was reduced to an after tax loss of $2,471.

This position did not trigger the company's Minimum Dividend Policy and accordingly the Board has not declared a dividend for the year ended 30 June 2016.

In relation to dividends, DDCDL's budget for 2016/17 forecasts a profitable year and, despite the (May/Aug) interest rate drops, I am confident that sustainable profits will be achieved, subject to any unforeseen events. To that end, I remind shareholders of our Minimum Dividend Policy (set out below) and wish to reinforce the value the Board places on shareholders' support and patience:

> Minimum Dividend Policy: Subject to the availability of sufficient Company Profits (within the meaning of clause 11.3 of the Franchise Agreement) to support the payment of a dividend in accordance with the Corporations Act 2001 (Cth), the Board will declare a dividend each financial year that is calculated at a minimum rate equal to the weighted average interest rate on 90 day bank bills over that financial year plus 2%, reduced for any franking credits, (called the "Minimum Dividend") up to a maximum rate calculated on the basis of the Distribution Limit determined under clause 11.3 of the Franchise Agreement. In the event that there are insufficient Profits to support the declaration of the Minimum Dividend, the Board may declare a lesser dividend.

As foreshadowed last year, Bendigo and Adelaide Bank is implementing a change to how the allocation of margin revenue occurs for **Community Bank**® companies. The new method is based on a Funds Transfer Pricing (FTP) model, and also requires **Community Bank**® companies to sign a revised Franchise Agreement. The Board has monitored the potential impact of the FTP model and has determined that it was likely to erode the margin revenue it would otherwise achieve. Therefore, the Board has declined to shift to the new arrangement and new Franchise Agreement as at 30 June 2016. The Board has the option to review this decision in April 2017 when its franchise renewal is due and at subsequent franchise renewal dates.

Despite the issues already mentioned, the company continues to receive strong support from Bendigo and Adelaide Bank in line with the Franchise Agreement.

Bendigo and Adelaide Bank have continued to provide the company with a Market Development Fund (MDF), which is received in addition to our entitlements under the Franchise Agreement. The MDF allowed the company to award $35,449 of Community Investment in the form of sponsorship funding during the year. This brings the total invested in our community since our **Community Bank**® branch opened to $118,968.

The continuance of MDF has been announced but in a modified form. Changes will see our receipts from MDF effectively halved over the year. The maintenance of a similar level of Community Investment as in previous years will be dependent on the availability of company profits.

Chairman’s Report (continued)

In October 2015, we farewelled Branch Manager Steven McKinley. I would like to thank Steven for his efforts in guiding our **Community Bank**® branch through its start-up phase and to the cusp of profitability.

Simon Robinson commenced as our Branch Manager in November 2015, bringing with him considerable **Community Bank**® managerial experience. Simon has established himself well in the role and, with the support of his dedicated team, strives to provide the best services to our valued customers. I encourage all shareholders to be active customers of our branch and ensure that our collective goals in establishing the Daylesford District **Community Bank**® Branch are achieved as soon as possible. For those shareholders that are customers, your advocacy for our **Community Bank**® branch is important for our continuing growth and development.

I would also like to thank my fellow Directors, who offer their contribution on a voluntary basis. I offer special thanks to our retiring Directors Ms Sue Ewart and Mr Trevor Miller, both of whom provided excellent service to the company. Sue commenced her involvement with the Steering Committee and therefore has had the longest continuous involvement of any Director with the **Community Bank**® company.

Lastly, I wish to assure all shareholders that the Board of Directors is determined to build a profitable **Community Bank**® branch that will provide both enduring shareholder dividends and increased funds for Community investment for the future.

Marek Rak
Chairman

Manager’s Report

For year ended 30 June 2016

It is with pleasure that I present the Manager’s report for Daylesford District **Community Bank**® Branch for the year ended 30 June 2016.

Over the last financial year we have seen our business reach $85.2 million. This is a great result given the economic climate. However, we recognise further growth is required to continue to position ourselves as a profitable and successful banking entity in our community.

A growing **Community Bank**® branch needs strong community support and I am grateful to the many individuals, businesses and community groups who have joined us over the last four years. One of our key messages is developing the direct relationship that exists between buying and supporting local. I believe that if you are passionate about your local community, then it makes sense to support businesses and groups that add value to our community. I stress the importance of not only banking with Daylesford District **Community Bank**® Branch but also supporting our local businesses and traders, to ensure that the products and services we are fortunate to have in our community can continue to be delivered, and in return, benefit our community to prosper and grow.

Our Vision ‘To be the best bank in the district valued by customers and the community’ is a simple statement but one that we strive every day to attain. To us, banking is a relationship between partners. Partners are strong advocates who wholly understand and fully support our community story. In return we seek to understand and appreciate the banking needs and requirements of individuals and businesses. This understanding equates to a connected and strongly supportive community that grows together. We seek the support of existing customers and shareholders to achieve our mutual community goals.

With the continued support of our customers, we can continue to provide the community with the much needed support of sponsorship funding, or as we like to say, ‘community investment’. There are numerous projects and programs that received sponsorship funding and investment over the period that we have been open as a direct result of our community simply banking with us. We have been able to provide $118,968 at 30 June 2016.

What are the next 12 months going to look like? Our business will 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 wider Daylesford and district, to be the most customer-focused bank in the area.

To my staff, Danni, Sonya and recently appointed Jordan, I thank you for your support, engagement and vision during the year. I also wish to recognise the contribution of both Yvette and Jo-Anne who left us during the year for new opportunities. 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.

I wish to thank the current and all past Directors who have dedicated their time and efforts to the Board and to Jane for the support that she has provided.

Finally, I wish to thank you, our shareholders and customers, for supporting your business.

Simon Robinson
Branch Manager

Bendigo and Adelaide Bank Report

For year ended 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank®** companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today.

To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank®** community can achieve.

Robert Musgrove
Executive Community Engagement

Directors' Report

For the financial year ended 30 June 2016

The Directors present their Report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Daylesford District Community Developments Limited during or since the end of the financial year up to the date of this Report:

Marek Julius Rak (appointed 18 March 2011, re-appointed 19 Nov 2013)

Qualifications and experience	Bachelor of Science (Monash); Grad Dip EDP (RMIT). Founder & retired Managing Director of Trident Computer Services Pty Ltd.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Board Chair; Chair, Recruitment & Remuneration Committee; Ex officio Member of all Board Sub-committees.

Jeffrey Colin Bain (appointed 28 July 2015, re-appointed 17 Nov 2015)

Qualifications and experience	Bachelor of Economics (Tas); Fellow of Chartered Accountants Australia and New Zealand and Fellow of CPA Australia. Registered tax agent and registered superannuation fund auditor, operates a small business specialising in superannuation auditing, accounting and taxation. Former partner in chartered accounting firm Tregear Bain Taplin Pty Ltd.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Treasurer; Member, Finance & Audit Committee.

Adam Edward Criddle (appointed 28 July 2015, re-appointed 17 Nov 2015)

Qualifications and experience	Bachelor of Land Information (Surveying); Licensed Surveyor. Over 20 years professional consulting experience in Melbourne, London and currently in Ballarat, with significant staff management, mentoring and leadership skills.
Other directorships	
Former directorships in last 3 years	
Special responsibilities	Member, Community Investment & Marketing Committee; Member, Risk Management Committee.

Peter John Benedict Duncan AO (appointed 29 Sep 2015, re-appointed 17 Nov 2015)

Qualifications and experience	Bachelor of Chemical Engineering (Canterbury, NZ); Post-grad Diploma in Business Studies (London School of Economics); Fellow of the Australian Institute of Company Directors. 36 years in finance and management positions with Royal Dutch/Shell Group, retiring as Chairman and CEO of Shell Group of Companies in Australia in 2001; former director of private and public companies, government bodies & not-for-profits.
Other directorships	
Former directorships in last 3 years	Chairman of Orica and Scania Australia.
Special responsibilities	Chair, Risk Management Committee.

Directors (continued)

Susan Wendy Ewart (appointed 18 March 2011, re-appointed 17 Nov 2015, retired 8 Feb 2016)

Qualifications and experience	Diploma of Food & Food Service; Diploma 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.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Fomer Member, Community Investment & Marketing Committee.

Philip Roy Gay (appointed 16 April 2012, re-appointed 25 Nov 2014)

Qualifications and experience	Bachelor of Arts (finance & accounting); Advanced Management Program (Harvard Business School); Fellow of CPA Australia; Fellow of Institute of Chartered Secretaries and Administrators; Fellow of the Governance Institute of Australia; Member of Australian Institute of Company Directors. Former Chief Financial Officer & Operating Group Managing Director of Pacific Dunlop Ltd. Now operates a Poll Hereford cattle stud.
Other current directorships	Director of 7-Eleven Stores Pty Ltd and Starbucks Coffee Australia Pty Ltd; Deputy-Chair of RG Withers Holdings Pty Ltd.
Former directorships in last 3 years	
Special responsibilities	Acting Chair, Finance & Audit Committee.

Joan Mary Janssen (appointed 19 Nov 2013)

Qualifications and experience	Diploma of Teaching, Primary (ACU, Ballarat); Graduate Diploma of Student Welfare (Hawthorn); Master of Education (Melb). 31 years' experience in education, including 12 years as School Principal; former Director of the Melba Foundation.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Chair, Finance & Audit Committee; Acting Chair, Community Investment & Marketing Committee.

Trevor Ross Miller (appointed 19 Nov 2013, resigned 24 Sep 2015)

Qualifications and experience	Bachelor of Engineering with Honours (Deakin). Business proprietor providing strategic advice, specialising in support for small business and not-for-profits; member of Creswick Market Planning Committee.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Former Member, Community Investment & Marketing Committee.

Directors (continued)

Fiona Kay Robson (appointed 19 Nov 2013, re-appointed 17 Nov 2015)

Qualifications and experience	Bachelor of Science (Melb); Grad Cert. International & Community Development (Deakin); Certified Project Management Professional (Project Management Institute) and studying for Grad. Dip. Communication (Deakin). More than 20 years' experience in community development project management, business analysis and organisational development in corporate business, local government, education and health services; has co-owned and co-operated a successful local small business and volunteers extensively in community organisations, including leadership roles. Manager, Daylesford Neighbourhood Centre.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Member, Community Investment & Marketing Committee.

Carol Louise Ross (appointed 28 Oct 2014, re-appointed 25 Nov 2014)

Qualifications and experience	Diploma of Teaching-Primary, Diploma of Personal Counselling and Graduate Diploma of Educational Administration. Employed in education for 38 years including within the Department of Education head office and as Assistant Principal and Principal in Primary schools for the last 17 years, retiring in 2008.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Chair, Community Investment & Marketing Committee, currently on leave of absence.

Gregory Eugene Thompson (appointed 23 Sep 2014, re-appointed 17 Nov 2015)

Qualifications and experience	Former CEO and Managing Director of major recruitment companies across Australia and New Zealand for 17 years, with extensive management and leadership experience; local business partner of Daylesford Cottage Directory with wife Jo and operates a firewood and gardening business; Past President of Daylesford Rotary Club; Board Member Daylesford and Macedon Ranges Tourism Board.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Member, Community Investment & Marketing Committee; Member, Recruitment & Remuneration Committee.

Geoffrey William Vincent (appointed 16 April 2012, re-appointed 25 Nov 2014, retired 25 Aug 2015)

Qualifications and experience	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.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Former Chair, Finance & Audit Committee.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Finance & Audit committee meetings		Community Investment & Marketing	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Marek Julius Rak	9	9	11*	10*	7*	4*
Jeffrey Colin Bain	9	8	10	10	N/A	N/A
Adam Edward Criddle	9	5	N/A	N/A	6	4
Peter John Benedict Duncan	7	7	N/A	N/A	N/A	N/A
Susan Wendy Ewart	6	6	N/A	N/A	4	2
Philip Roy Gay	9	9	11	11	N/A	N/A
Joan Mary Janssen	9	9	11	11	4	4
Trevor Ross Miller	3	0	N/A	N/A	1	1
Fiona Kay Robson	9	8	N/A	N/A	6	6
Carol Louise Ross	9	9	N/A	N/A	6	6
Gregory Eugene Thompson	9	6	N/A	N/A	4	1
Geoffrey William Vincent	2	1	2	1	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.
* - The Board Chair is entitled to attend all Committees ex offico

Company Secretary

Jane Theresa Southwell has been the Company Secretary of Daylesford District Community Developments Limited since 1 July 2012. Jane holds Bachelors' Degrees in Law (with Honours) and Arts and has had over 20 years experience in Company secretarial, management and legal roles within the financial services sector.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The loss of the company for the financial year after provision for income tax was $2,471 (2015 loss: $94,535). This was a pleasing year with significant growth of banking business (footings), leading to revenue growth of 39% (excluding the Market Development Fund revenue of $50,000), which exceeded expectations. The result includes a one-off adjustment of $10,176 due to the change to the tax rate from 30% to 28.5%, and the resultant reduction of the deferred tax asset. The result for the year would have been a profit of $7,705 after tax without this one-off adjustment.

Dividends

No dividends have been paid or declared since the start of the financial year.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this Report.

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 the end of the reporting period

The company's franchise agreement with Bendigo and Adelaide Bank Limited is due for renewal in April 2017. At that time, the company must determine whether to agree to a new franchise agreement under which the revenue share agreements would change. The company is yet to determine what renewal option is in the best interests of the company.

Other than that, 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.

Environmental regulations

The company is not subject to any significant environmental regulation.

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.

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 11 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 27 September 2016.

Jeffrey Bain	**Marek Rak**
Director and Treasurer	**Chair**

Auditor's Independence Declaration

PPT
AUDIT

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Daylesford District Community Developments Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Daylesford District Community Developments Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have 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.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

26 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	**2**	**630,605**	**476,281**
Expenses			
Employee benefits expense	3	274,575	269,226
Depreciation and amortisation	3	48,159	50,140
Administration and general costs		96,595	90,251
Finance costs	3	15,436	14,666
Bad and doubtful debts expense	3	-	2,278
Occupancy expenses		35,273	32,012
IT costs		34,287	34,237
Advertising & marketing		4,562	18,589
ATM costs		5,635	6,101
Motor vehicle costs		13,519	4,339
Rental expense		54,770	58,622
		582,811	**580,461**
Operating profit / (loss) before charitable donations and sponsorships		**47,794**	**(104,180)**
Charitable donations and sponsorships		35,449	29,189
Profit / (loss) before income tax		**12,345**	**(133,369)**
Income tax expense / (benefit)	4	14,816	(38,834)
Profit/(loss) for the year		**(2,471)**	**(94,535)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(2,471)**	**(94,535)**
Profit / (loss) attributable to members of the company		(2,471)	(94,535)
Total comprehensive income attributable to members of the company		**(2,471)**	**(94,535)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		(0.41)	(15.76)

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	895	348
Trade and other receivables	6	60,559	46,076
Other assets	8	21,603	17,690
Total current assets		**83,057**	**64,114**
Non-current assets			
Property, plant and equipment	8	149,032	166,357
Intangible assets	9	16,264	47,098
Deferred tax assets	4	188,702	203,518
Total non-current assets		**353,998**	**416,973**
Total assets		**437,055**	**481,087**
Liabilities			
Current liabilities			
Trade and other payables	10	52,207	34,532
Borrowings	11	233,168	279,906
Provisions	12	19,325	17,146
Total current liabilities		**304,700**	**331,584**
Non-current liabilities			
Borrowings	11	43,493	61,992
Provisions	12	3,822	-
Total non-current liabilities		**47,315**	**61,992**
Total liabilities		**352,015**	**393,576**
Net assets		**85,040**	**87,511**
Equity			
Issued capital	13	575,520	575,520
Retained earnings / (Accumulated losses)	14	(490,480)	(488,009)
Total equity		**85,040**	**87,511**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2014		**575,520**	**(393,474)**	**-**	**182,046**
Total comprehensive income for the year		-	(94,535)	-	(94,535)
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	23	-	-	-	-
Balance at 30 June 2015		**575,520**	**(488,009)**	**-**	**87,511**
Balance at 1 July 2015		**575,520**	**(488,009)**	**-**	**87,511**
Total comprehensive income for the year		-	(2,471)	-	(2,471)
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	23	-	-	-	-
Balance at 30 June 2016		**575,520**	**(490,480)**	**-**	**85,040**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		616,123	468,092
Payments to suppliers and employees		(534,903)	(535,882)
Interest paid		(15,436)	(14,666)
Net cash provided by / (used in) operating activities	**15b**	**65,784**	**(82,456)**
Cash flows from financing activities			
Repayment of borrowings		(17,285)	(16,151)
Net cash provided by / (used in) financing activities		**(17,285)**	**(16,151)**
Net increase / (decrease) in cash held		**48,499**	**(98,607)**
Cash and cash equivalents at beginning of financial year		(262,273)	(163,666)
Cash and cash equivalents at end of financial year	**15a**	**(213,774)**	**(262,273)**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For year ended 30 June 2016

These 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 27 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, 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.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Daylesford.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited other than where the Manager has delegated authority to approve certain loans on a limited basis. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training and performance appraisal for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Going Concern

The company incurred a loss of $2,471 for the year ended 30 June 2016 (2015: Loss of $94,535), bringing the amount of accumulated losses at 30 June 2016 to $490,480 (2015: $488,009). In addition, the company had a net current asset deficiency at 30 June 2016 of $221,643 (2015: $267,470) indicating that the company may not be able to settle its debts as and when they fall due.

The company meets its day to day working capital requirements through an overdraft facility with Bendigo and Adelaide Bank Limited that is due for renewal on 30 September 2017. The overdraft facility has an approved limit of $350,000 (2014: $325,000), of which $214,669 had been utilised at 30 June 2016 (2015: $262,621). This loan is provided on normal commercial terms and conditions.

The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district, with Bendigo and Adelaide Bank Limited disclosing in recent prospectuses that, on average, **Community Bank**® branches do not generate profitable operating results until their fifth year of trading. The 2015/16 financial year was the fifth year of operation of the company, but noting that the **Community Bank**® branch traded for less than 3 months in its first financial year.

The company traded profitably (before tax) for the second half of the 2015/16 financial year and this trend has continued into the 2016/17 financial year. The company anticipates continued improvement in the profit outlook for the 2016/17 financial year. The improvement in trading results will be driven by an increase in the underlying investments (footings) on which income is generated. However, the possibility of further reductions in interest rates will have a likely negative impact on profit into the future.

Notwithstanding that positive outlook for the 2016/17 financial year, the Directors will continue to monitor growth and cash flow forecasts throughout the financial year and implement measures to preserve cash where possible.

Bendigo and Adelaide Bank Limited have confirmed that it will continue to support the company and its operations for the 2016/17 financial year, through the provision of the overdraft facility and by working closely with the company to further develop its business. Bendigo and Adelaide Bank have also confirmed that further financial support may be provided, however, such support is dependent upon the company meeting its obligations under the Franchise Agreement. A letter confirming ongoing financial support was provided by Bendigo and Adelaide Bank Limited on 4 August 2016.

Based on the information disclosed above, and after making further enquiries, the Directors believe that it is reasonably foreseeable that the company will continue to be able to meet its debts as and when they fall due and accordingly, that it is appropriate to adopt the going concern basis in the preparation of these financial statements.

(c) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Note 1. Summary of significant accounting policies (continued)

(c) Income tax (continued)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(d) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Note 1. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Leasehold improvements	6-7%	Straight Line
Plant and equipment	40-67%	Diminishing Value
Motor vehicles	25%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Establishment costs and franchise fees 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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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.

(k) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Held-to-maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available-for-sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

"Amortised cost" is calculated as the amount at 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".

The "effective interest method" is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Note 1. Summary of significant accounting policies (continued)

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(v) New accounting standards for application in future periods

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 and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

  (i) the objective of the entity's business model for managing the financial assets; and

  (ii) the characteristics of the contractual cash flows.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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 charges 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.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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 evaluating 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.

	2016 $	**2015 $**

Note 2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	579,836	413,748
- market development fund	50,000	50,000
- other revenue	769	5,278
	630,605	**469,026**
Other revenue		
- interest received	-	-
- other revenue	-	7,255
	-	**7,255**
Total revenue	**630,605**	**476,281**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	238,683	234,423
- superannuation costs	22,513	22,120
- other costs	13,379	12,683
	274,575	**269,226**

Notes to the Financial Statements (continued)

	2016 $	2015 $
Note 3. Expenses (continued)		
Depreciation and amortisation		
Depreciation		
- leasehold improvements	12,821	12,822
- furniture & fittings	1,046	1,873
- motor vehicles	3,458	4,611
	17,325	**19,306**
Amortisation		
- franchise fees	2,000	2,000
- establishment costs	20,000	20,000
- agency fees	8,834	8,834
	30,834	**30,834**
Total depreciation and amortisation	**48,159**	**50,140**
Finance costs		
- Interest paid	15,436	14,666
Bad and doubtful debts expenses	-	2,278
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	5,820	5,700
	5,820	**5,700**

Note 4. Income tax

a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	13,042	(38,834)
Recoupment of prior year tax losses	(8,402)	-
Adjustment to deferred tax asset due to change in tax rate	10,176	-
	14,816	**(38,834)**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	3,518	(40,015)

	2016 $	2015 $
Note 4. Income tax (continued)		
b. Prima facie tax payable (continued)		
Add tax effect of:		
- Adjustment to deferred tax asset due to change in tax rate	10,176	-
- Non-deductible expenses	1,122	1,181
Income tax attributable to the entity	**14,816**	**(38,834)**
The applicable weighted average effective tax rate is	120.02%	29.12%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
Under / (over) provision prior years	-	-
	-	**-**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Franchise fee	2,612	2,150
Accruals	2,094	644
Employee provisions	6,597	5,144
Unused tax losses	177,399	195,580
	188,702	**203,518**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	4,640	(38,834)
Adjustment to deferred tax asset due to change in tax rate	10,176	-
	14,816	**(38,834)**

	2016 $	2015 $

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	895	348
	895	**348**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	895	348
Bank overdrafts	(214,669)	(262,621)
	(213,774)	**(262,273)**

Note 6. Trade and other receivables

	2016 $	2015 $
Current		
Trade receivables	60,559	46,076
	60,559	**46,076**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	60,559	-	-	-	-	60,559
Total	**60,559**	**-**	**-**	**-**	**-**	**60,559**
2015						
Trade receivables	46,076	-	-	-	-	46,076
Total	**46,076**	**-**	**-**	**-**	**-**	**46,076**

	2016 $	2015 $

Note 7. Other assets

	2016 $	2015 $
Prepayments	21,162	17,089
Prepaid borrowing costs	441	601
	21,603	**17,690**

Note 8. Property, plant and equipment

	2016 $	2015 $
Leasehold improvement		
At Cost	192,313	192,313
Less accumulated depreciation	(55,069)	(42,248)
	137,244	**150,065**
Furniture & fittings		
At cost	15,145	15,145
Less accumulated depreciation	(13,731)	(12,685)
	1,414	**2,460**
Motor vehicles		
At cost	35,876	35,876
Less accumulated depreciation	(25,502)	(22,044)
	10,374	13,832
Total property, plant and equipment	**149,032**	**166,357**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	150,065	162,887
Depreciation expense	(12,821)	(12,822)
Balance at the end of the reporting period	**137,244**	**150,065**
Furniture & fittings		
Balance at the beginning of the reporting period	2,460	4,333
Depreciation expense	(1,046)	(1,873)
Balance at the end of the reporting period	**1,414**	**2,460**
Motor vehicles		
Balance at the beginning of the reporting period	13,832	18,443
Depreciation expense	(3,458)	(4,611)
Balance at the end of the reporting period	**10,374**	**13,832**

	2016 $	2015 $

Note 8. Property, plant and equipment (continued)

Total property, plant and equipment

Balance at the beginning of the reporting period	166,357	185,663
Depreciation expense	(17,325)	(19,306)
Balance at the end of the reporting period	**149,032**	**166,357**

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(9,166)	(7,166)
	834	**2,834**
Establishment fee		
At cost	100,000	100,000
Less accumulated amortisation	(91,666)	(71,666)
	8,334	**28,334**
Agency fees		
At cost	44,170	44,170
Less accumulated amortisation	(37,074)	(28,240)
	7,096	**15,930**
Total intangible assets	**16,264**	**47,098**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	2,834	4,834
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	**834**	**2,834**
Establishment fee		
Balance at the beginning of the reporting period	28,334	48,334
Amortisation expense	(20,000)	(20,000)
Balance at the end of the reporting period	**8,334**	**28,334**
Agency fees		
Balance at the beginning of the reporting period	15,930	24,764
Amortisation expense	(8,834)	(8,834)
Balance at the end of the reporting period	**7,096**	**15,930**

	2016 $	2015 $

Note 9. Intangible assets (continued)

Total intangible assets		
Balance at the beginning of the reporting period	47,098	77,932
Amortisation expense	(30,834)	(30,834)
Balance at the end of the reporting period	**16,264**	**47,098**

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	16,923	15,406
Other creditors and accruals	35,284	19,126
	52,207	**34,532**

The average credit period on trade and other payables is one month.

Note 11. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	214,669	262,621
Secured liabilities		
Chattel mortgages	22,095	22,095
Unexpired interest	(3,596)	(4,810)
	233,168	**279,906**
Non-current		
Secured liabilities		
Chattel mortgages	46,642	68,737
Unexpired interest	(3,149)	(6,745)
	43,493	**61,992**

(a) Bank overdraft and bank loans

The company has an overdraft facility of $350,000 which is subject to normal commercial terms and conditions.

(b) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	2016 $	2015 $

Note 12. Provisions

	2016 $	2015 $
Current		
Employee benefits	19,325	17,146
Non-current		
Employee benefits	3,822	-
Total provisions	**23,147**	**17,146**

Note 13. Share capital

	2016 $	2015 $
600,008 Ordinary shares fully paid	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	600,008
Shares issued during the year	-	-
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.

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 company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the 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 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.

	2016 $	2015 $

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the reporting period	(488,009)	(393,474)
Profit/(loss) after income tax	(2,471)	(94,535)
Balance at the end of the reporting period	**(490,480)**	**(488,009)**

Note 15. 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:

Cash and cash equivalents (Note 5)	895	348
Less bank overdraft (Note 11)	(214,669)	(262,621)
As per the Statement of Cash Flow	**(213,774)**	**(262,273)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	(2,471)	(94,535)
Non-cash flows in profit		
- Depreciation	17,325	19,306
- Amortisation	30,834	30,834
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(14,483)	(6,982)
- (increase) / decrease in prepayments and other assets	(3,913)	-
- (Increase) / decrease in deferred tax asset	14,816	(38,834)
- Increase / (decrease) in trade and other payables	17,675	5,197
- Increase / (decrease) in provisions	6,001	2,558
Net cash flows from / (used in) operating activities	**65,784**	**(82,456)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $350,000 (2015: $325,000). This may be terminated at any time at the option of the bank. At 30 June 2016, $214,669 of this facility was used (2015: $262,621). Variable interest rates apply to the overdraft facility.

Note 16. Earnings per share

Basic earnings per share (cents)	(0.41)	(15.76)
Earnings used in calculating basic and diluted earnings per share	(2,471)	(94,535)
Weighted average number of ordinary shares used in calculating basic earnings per share.	600,008	600,008

Note 17. Key management personnel and related party disclosures

(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 the 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.

(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 during the financial year is as follows:

	2016	2015
Marek Julius Rak	23,001	23,001
Jeffrey Colin Bain	2,953	*
Adam Edward Criddle	-	*
Peter John Benedict Duncan	10,000	*
Susan Wendy Ewart	500	1,000
Philip Roy Gay	2,500	2,500
Joan Mary Janssen	500	500
Trevor Ross Miller	-	-
Fiona Kay Robson	5,000	5,000
Carol Louise Ross	500	500
Gregory Eugene Thompson	500	-
Geoffrey William Vincent	20,000	20,000

*Note: These personnel were not Directors of the company during the period

There was no movement in key management personnel shareholdings during the year, other than the transfer of 500 shares. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There have 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 contingent 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 and surrounding district, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited, which accounts for 100% of the revenue (2015: 100%).

Note 21. Commitments

	2016 $	**2015 $**
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	22,950	54,305
- between 12 months and five years	-	22,950
- greater than five years	-	-
Minimum lease payments	**22,950**	**77,255**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year. The option to renew the property lease for a further five year term includes an arrangement for a reduction in rent applicable from September 2016.

Note 22. Company details

The registered office and principle place of business is:

Shop 3, 97 Vincent Street,
Daylesford, Victoria, 3460

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

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

Note 24. Financial risk management

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 Commitee and a Risk Management Committee, which report to the Board. The Board is assisted in the area of risk management by an internal audit function conducted by Bendigo & Adelaide Bank Limited.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial 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.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	895	348
Trade and other receivables	6	60,559	46,076
Total financial assets		**61,454**	**46,424**
Financial liabilities			
Trade and other payables	10	52,207	34,532
Borrowings	11	61,992	79,277
Bank overdraft	11	214,669	262,621
Total financial liabilities		**328,868**	**376,430**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2015: 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.

(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.

The company has established an overdraft facility of $350,000 (2015: $325,000) with Bendigo and Adelaide Bank Limited, which provides 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. The undrawn amount of this facility is $135,331 (2015: $62,379).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets				
Cash and cash equivalents	895	895	-	-
Trade and other receivables	60,559	60,559	-	-
Financial assets	-	-	-	-
Total anticipated inflows	**61,454**	**61,454**	**-**	**-**
Financial liabilities				
Trade and other payables	52,207	52,207	-	-
Borrowings	61,992	61,992	-	-
Bank overdraft *	214,669	214,669	-	-
Total expected outflows	**328,868**	**328,868**	**-**	**-**
Net inflow / (outflow) on financial instruments	**(267,414)**	**(267,414)**	**-**	**-**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	348	348	-	-
Trade and other receivables	46,076	46,076	-	-
Total anticipated inflows	**46,424**	**46,424**	**-**	**-**
Financial liabilities				
Trade and other payables	34,532	34,532	-	-
Borrowings	79,277	79,277	-	-
Bank overdraft *	262,621	262,621	-	-
Total expected outflows	**376,430**	**376,430**	**-**	**-**
Net inflow / (outflow) on financial instruments	**(330,006)**	**(330,006)**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

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 2016		
+/- 1% in interest rates (interest income)	9	9
+/- 1% in interest rates (interest expense)	(2,767)	(2,767)
	(2,758)	**(2,758)**

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	3	3
+/- 1% in interest rates (interest expense)	(3,419)	(3,419)
	(3,416)	**(3,416)**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

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, as set out on pages 12 to 41 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 2016 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 declaration is made in accordance with a resolution of the Board of Directors.

Jeffrey Bain
Director and Treasurer

Marek Rak
Chair

Signed at Daylesford 27 September 2016.

PPT
AUDIT

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Daylesford District Community Developments Limited

Independent Audit Report to the members of Daylesford District Community Developments Limited

We have audited the accompanying financial report of Daylesford District Community Developments Limited which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The Responsibility of the Director's for the Financial Report

The directors of the company are responsible for the preparation and fair presentation 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, 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 and fair presentation 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*, provided to the directors of Daylesford District Community Developments Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

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Daylesford District Community Developments Limited

Independent Audit Report to the members of Daylesford District Community Developments Limited

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 and consolidated entity's financial position as at 30 June 2016 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.

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

PPT Audit Pty Ltd
....
PPT Audit Pty Ltd

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

28 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

Daylesford District **Community Bank**® Branch
Shop 3, 97 Vincent Street, Daylesford VIC 3460
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Franchisee: Daylesford District Community Developments Limited
Shop 3, 97 Vincent Street, Daylesford VIC 3460
Phone: 0417 186 693
ABN: 72 149 942 067
www.bendigobank.com.au/daylesford

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

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