Annual Report 2018

Daylesford District Community Developments Limited

Daylesford District
Community Bank® Branch

ABN 72 149 942 067

Contents

Chairman's Report

For the year ended 30 June 2018

On behalf of the Board of Directors and our staff, I am delighted to deliver this Annual Report of Daylesford District Community Developments Limited (referred to as "the Company") which operates the Daylesford District Community Bank Branch.

We have further consolidated the Company's financial position during the year with improved profitability leading to a stronger balance sheet at year end. The outlook for 2019 is strong.

The Board was pleased to declare an annual unfranked dividend of 7 cents per share (paid in June 2018) - the maximum allowed under the franchise agreement.
Achievements this year included;

- A profit before tax and donations of $233,881
- A profit after tax and donations of $142,940
- Growth in footings (deposits and loans) to over $104 million
- An 81% improvement in our equity position to $226,236
- Donations to the community of $36,707

The sustained shift to profit by the Company and a positive ongoing outlook should enable the Company to maintain and increase its contribution to dividends and community investment. The Board recognises the ability of community banks to return funds to the community as being one of the primary reasons for shareholders investing in the Company.

The improved financial position has enabled the Board to seek larger and longer term community investments with the goal of improving the community balance sheet.

Four pillars have been established to guide our community investment and these are:

1. Youth Engagement and Education
2. Community Infrastructure
3. Health and Aged Care
4. Sports Recreation and the Arts

In 2018, $36,707 was invested in our community through sponsorships and donations, bringing the total to $185,836 since our community bank commenced in 2012. Including shareholder dividends, we have returned $269,838 to our community.

This should be seen as a good solid base from which to grow. In 2018-19 we expect to see a substantial lift in available funds for community investment. With continuing support and banking growth, the contribution can grow further going forward.

The Company's improved performance allowed long term commitments to be made to selected local projects. The Company maintained its commitment to the Hepburn Shire Council of $30,000 over 5 years as the major community contribution towards the Auditorium in the "new Rex" complex. The Company also reaffirmed its conditional pledge of up to $400,000 towards the Daylesford Indoor Aquatic Centre (DIAC). An indoor aquatic centre has topped our forums in terms of a community need and our pledge provides a significant impetus to seeing this project progress through the feasibility stage to fruition.

The anticipated increase in community funds will see the Board actively seeking suitable projects and working with community groups to develop long term growth in our community balance sheet.

Chairman's Report (continued)

Our manager Simon Robinson and his team continued to build the branch whilst controlling costs. Footings consolidated at $104.7 million. This was a modest 2% increase over the previous year and was impacted by economic and staff resourcing issues. The increase in profit before tax and donations of $80,344 clearly showed that the improved performance over the last 18 months had been maintained and consolidated.

We continue to receive and appreciate strong support from our franchisor - the Bendigo and Adelaide Bank (BABL). BABL has implemented an update to the franchise agreement and the Board continues to assess the impact of any changes prior to acceptance.

The year ahead provides opportunities and poses challenges. Technology changes are altering the way people bank. BABL's investment in technology will see new innovations being rolled out and provide leadership in some areas. The closure of the ANZ branch in Daylesford in August 2018 impacts on personal banking options for its customers. Our Community Bank is very capable of offering an excellent banking experience and a complete range of personal, business and rural/farming banking products. I would ask all shareholders and customers to endorse the banking products we offer and be proud of our success and the potential for our community.

I would also like to thank my fellow Directors who offer their contribution on an unpaid voluntary basis. I also thank Simon and our staff for their ongoing efforts, community contributions and commitment.

In closing, I would like to assure all shareholders of the strong commitment of the Board of Directors to realising our vision of being the bank of choice for the Daylesford and Hepburn district, recognised for our contribution to the community, service to our customers and rewards to our shareholders.

Our Local Bank, Our Local Community, Thriving Together!

Marek Rak
Chair

Bendigo and Adelaide Bank Report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only *'community bank',* recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

Bank Report (continued)

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

Directors' Report

The Directors present their Report of Daylesford District Community Developments Limited (the 'Company') for the financial year ended 30 June 2018.

Directors

The following persons were Directors of the Company during or since the end of the financial year up to the date of this Report:

Marek Julius Rak (appointed 18 March 2011, re-elected 15 Nov 2016)	
Qualifications and experience	Bachelor of Science (Monash); Grad Dip EDP (RMIT). Founder & retired Managing Director of Trident Computer Services Pty Ltd. Chair, Daylesford Indoor Aquatic Centre Inc.
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, resigned 14 Nov 2017)	
Qualifications and experience	Bachelor of Economics (Tas); Fellow of Chartered Accountants Australia and New Zealand. Registered tax agent and operates a small business specialising in 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.

Peter John Benedict Duncan AO (appointed 29 Sep 2015, re-elected 14 Nov 2017)	
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 current directorships	
Former directorships in last 3 years	Chairman of Orica and of Scania Australia.
Special responsibilities	Chair, Risk Committee.

Philip Roy Gay (appointed 16 April 2012, re-elected 14 Nov 2017)	
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, 7-Eleven Stores Pty Ltd and related companies; Deputy-Chair of RG Withers Group.
Former directorships in last 3 years	Starbucks Coffee Australia Pty Ltd.
Special responsibilities	Chair, Finance & Audit Committee; Member, Risk Committee.

Directors' Report (continued)

Directors (continued)

Joan Mary Janssen (appointed 19 Nov 2013, re-elected 15 Nov 2016)	
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	Member, Finance & Audit Committee; Member, Community Investment & Marketing Committee.

Victor Szwed (appointed 13 March 2018)	
Qualifications and experience	Diploma of Civil Engineering and Diploma of Town Planning (RMIT). Formerly Chief Executive Officer of Hepburn Shire Council.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Former Member, Community Investment & Marketing Committee.

Carol Louise Ross (appointed 28 Oct 2014, re-elected 15 Nov 2016)	
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.

Gregory Eugene Thompson (appointed 23 Sep 2014, re-elected 14 Nov 2017)	
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 proprietor with wife Jo of several businesses in Daylesford specialising in hospitality; Past President of Daylesford Rotary Club; Board Member Daylesford Hepburn Springs Business and Tourism Association; Committee Member, Daylesford Indoor Aquatic Centre Inc.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	Member, Community Investment & Marketing Committee; Member, Recruitment & Remuneration Committee.

David John Smith, AM, DSM (appointed 16 May 2017, elected 14 November 2017)	
Qualifications and experience	Bachelor of Arts (Justice Studies); Master of Management (Defence Studies); Master of Leadership (Transdisciplinary); Fellow of the Centre for Defence and Strategic Studies; Fellow of the Australian Institute of Management; Graduate of the Australian Institute of Company Directors; Graduate of the Australian Command and Staff College (Joint); Graduate of the Officer Cadet School of New Zealand; Member of the Risk Management Institute of Australasia; Level 2 Certified Organisational Coach; senior Australian Army Officer, currently serving as the Director General, Integrated Soldier Systems with responsibility for the acquisition and sustainment of personal equipment and weapons, clothing and health systems for Australian Defence Force personnel.

Directors' Report (continued)

Directors (continued)

Other current directorships	Assistant Chair-Partner Relations, Australian Defence Force Australian Rules Association.
Former directorships in last 3 years	
Special responsibilities	Member, Risk Committee.

Jennifer Marion Russell (appointed 27 June 2017, elected 14 November 2017)	
Qualifications and experience	Bachelor of Arts (Secretarial Studies with Law Major); Fellow of the Institute of Legal Executives (Vic) since 2006. Employed as a Legal Secretary for past 30 years in private practices (including 8 years as Committee Administrator of the ACT Law Society).
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	

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 financial year were as follows:

		Board Meetings		Finance & Audit		Community		Risk Committee	
Director		**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Marek Julius Rak		8	8	5	4	4	3	2	2
Jeff Bain		4	2	5	5	N/A	N/A	N/A	N/A
Peter John Benedict Duncan		8	5	N/A	N/A	N/A	N/A	2	2
Philip Roy Gay		8	8	5	5	N/A	N/A	2	2
Joan Mary Janssen		8	7	5	4	4	3	N/A	N/A
Carol Louise Ross		8	8	N/A	N/A	4	4	N/A	N/A
Gregory Eugene Thompson		8	7	N/A	N/A	4	1	N/A	N/A
David John Smith		8	5	N/A	N/A	N/A	N/A	2	2
Jennifer Marion Russell		8	7	N/A	N/A	4	4	N/A	N/A
Victor Szwed		2	2	N/A	N/A	N/A	N/A	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 Southwell was the Company Secretary until 2 February 2018, when Trevor Shard was appointed to the role. Trevor holds a Bachelor of Economics, Senior Associateship of FINSIA, membership of the AICD, a Diploma of Community Services and was admitted as a Fellow of the Chartered Institute of Secretaries. He has been Company Secretary of several ASX listed companies, public unlisted and private companies.

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.

Directors' Report (continued)

Directors (continued)

Review of operations

Profit after tax for the financial year was $142,940 (2017: $82,258) resulting in a significant increase in equity to $226,236. Net Operating Cashflow for the year increased by 33.6% to $207,888 which contirbuted strongly to a reduction in debt from $174,986 at 30 June 2017 to $21,890 at 30 June 2018. Footings increased by $2.5 million, from $102.2 million at 30 June 2017 to $104.7 million at 30 June 2018.

The dividend was maintained at 7 cents per share and this was paid in June 2018.

The Company continues to operate under a franchise agreement with Bendigo and Adelaide Bank Limited, which was renewed in April 2017 for 5 years. The franchise may be renewed for a further 5 years from 2022 if the Company elects. Bendigo and Adelaide Bank Limited had proposed a new franchise agreement and new revenue share arrangements for all Community Bank® companies at the time of renewal 2017. The Company elected to remain with its existing franchise agreement and profit share arrangements. The Board continues to review carefully the impact of the new revenue share arrangements and may at its option move to the new arrangements if it considers that is in the best interests of the Company.

During the financial year, the Company provided charitable donations and sponsorships of $36,707, an increase of $7,297 over the previous year. With the Company on a firm financial footing there are good prospects to further increase the donations and sponsorships in the year ahead.
The Company has committed to provide $30,000 over 5 years to the construction of a multi-function community auditorium at "the Rex", which will become the new home for the Daylesford Community Theatre (Cinema). The Company has also made a conditional commitment to support the Daylesford Indoor Aquatic Centre, should the project proceed.

Dividends

Unfranked dividends totalling 7 cents per share were paid during the financial year.

Options

No options over issued shares were granted during or since the end of the financial year and there were no

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

There were no subsequent events.

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, Treasurer, 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.

Directors' Report (continued)

Directors (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out 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 25 September 2018.

Marek Rak
Chair

Philip Gay
Director

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 2018 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

25 September 2018

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	842,975	754,513
Expenses			
Employee benefits expense	3	344,359	332,530
Depreciation and amortisation	3	28,889	34,884
Administration and general costs		88,458	84,229
Finance costs	3	3,948	10,208
Loss on disposal of assets	3	-	3,035
Occupancy expenses		37,739	30,881
IT costs		33,323	33,813
Advertising and marketing		5,471	4,927
ATM costs		5,882	5,046
Motor vehicle costs		7,562	9,934
Rental expense		53,463	51,479
		609,094	600,966
Operating profit / (loss) before charitable donations and sponsorships		**233,881**	**153,547**
Charitable donations and sponsorships		36,707	29,410
Profit / (loss) before income tax		**197,174**	**124,137**
Income tax expense / (benefit)	4	54,234	41,879
Profit / (loss) for the year		**142,940**	**82,258**
Other comprehensive income		-	-
Total comprehensive income for the year		**142,940**	**82,258**
Profit / (loss) attributable to members of the Company		142,940	82,258
Total comprehensive income attributable to members of the Company		**142,940**	**82,258**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share):			
- basic earnings per share	17	23.82	13.71

These Financial Statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	394	833
Trade and other receivables	6	76,490	72,844
Prepayments	7	31,405	20,103
Total current assets		**108,289**	**93,780**
Non-current assets			
Property, plant and equipment	8	123,656	151,925
Deferred tax assets	4	92,590	146,823
Total non-current assets		**216,246**	**298,748**
Total assets		**324,535**	**392,528**
Liabilities			
Current liabilities			
Trade and other payables	10	49,347	53,944
Borrowings	11	21,890	174,986
Provisions	12	13,338	17,804
Total current liabilities		**84,575**	**246,734**
Non-current liabilities			
Borrowings	11	-	12,609
Provisions	12	13,724	7,888
Total non-current liabilities		**13,724**	**20,497**
Total liabilities		**98,299**	**267,231**
Net assets		**226,236**	**125,297**
Equity			
Issued capital	13	575,520	575,520
Retained earnings / (Accumulated losses)	15	(349,284)	(450,223)
Total equity		**226,236**	**125,297**

These Financial Statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2016		575,520	(490,480)	85,040
Profit / (Loss) for the year		-	82,258	82,258
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**82,258**	**82,258**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(42,001)	(42,001)
Balance at 30 June 2017		**575,520**	**(450,223)**	**125,297**
Balance at 1 July 2017		575,520	(450,223)	125,297
Profit / (Loss) for the year		-	142,940	142,940
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**142,940**	**142,940**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	16	-	(42,001)	(42,001)
Balance at 30 June 2018		**575,520**	**(349,284)**	**226,236**

These Financial Statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		839,405	742,228
Payments to suppliers and employees		(627,649)	(576,466)
Interest paid		(3,868)	(10,208)
Net cash provided by / (used in) operating activities	18b	**207,888**	**155,554**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	6,136
Purchase of property, plant and equipment		(620)	(30,684)
Net cash flows from / (used in) investing activities		**(620)**	**(24,548)**
Cash flows from financing activities			
Repayment of borrowings		(15,819)	(33,566)
Dividends paid		(42,001)	(42,001)
Net cash provided by / (used in) financing activities		**(57,820)**	**(75,567)**
Net increase / (decrease) in cash held		**149,448**	**55,439**
Cash and cash equivalents at beginning of financial year		(158,335)	(213,774)
Cash and cash equivalents at end of financial year	18a	**(8,887)**	**(158,335)**

These Financial Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2018

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 25 September 2018.

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 (AASB). 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 Daylesford District Community Bank® 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.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank® branch's 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 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 Manager and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of Company revenue and payment of many operating and administrative expenses on behalf of the Company;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and best practice customer relations.

(b) Going Concern

The Company earned a profit of $142,940 for the year ended 30 June 2018 (2017: $82,258), reducing the amount of accumulated losses at 30 June 2018 to $349,284 (2017: $450,223). In addition, the Company had a net current asset surplus at 30 June 2018 of $23,714, (2017: Deficiency of $152,954) indicating that the Company should 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 2018. The overdraft facility has an approved limit of $100,000, reduced from $250,000 in 2017, of which $9,281 had been utilised at 30 June 2018 (2017: $159,168). This loan is provided on normal commercial terms and conditions.

The Company traded profitably (before tax) for the entire 2017/18 financial year and this trend has continued into the 2018/19 financial year. In the absence of a deterioration in financial markets, the Company anticipates continued improvement in the profit outlook for the 2018/19 financial year. The improvement in trading results will be driven by an increase in the underlying investments (footings) on which income is generated.

Notwithstanding the positive outlook for the 2018/19 financial year, the Directors will continue to monitor growth and cash flow forecasts throughout the financial year and implement measures to preserve cash if necessary.
Bendigo and Adelaide Bank has confirmed that it will continue to support the Company and its operations for the 2018/19 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 has also confirmed that further financial support may be provided if required, however, such support is dependent upon the Company meeting its obligations under the Franchise Agreement.

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) 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 includes 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.

(d) 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.

(e) 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.

(f) Comparative figures

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

(g) 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. Revisions 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 the 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 mis-stated 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.

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 are 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.

(h) 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.

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.

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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 Company is yet to undertake a detailed assessment of the impact of AASB 16.

2. Revenue

Revenue arises from the rendering of services through the Company's franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Company applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The Company generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and other revenue is recognised when the right to the income has been established.

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

	2018 $	2017 $
Revenue		
- service commissions	817,975	720,346
- market development fund	25,000	34,167
	842,975	754,513
Total revenue	**842,975**	**754,513**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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	20%	Straight Line
Plant and equipment	40-67%	Diminishing Value
Motor vehicles	25%	Diminishing Value

3. Expenses (continued)

Gains/losses upon disposal of non-current assets

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.

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	298,121	286,104
- superannuation costs	25,716	26,840
- other costs	20,522	19,586
	344,359	332,530
Depreciation and amortisation		
Depreciation		
- leasehold improvements	21,488	12,822
- furniture and fittings	1,001	660
- motor vehicles	6,400	5,138
	28,889	18,620
Amortisation		
- franchise fees	-	834
- establishment costs	-	8,334
- agency fees	-	7,096
	-	16,264
Total depreciation and amortisation	28,889	34,884
Finance costs		
- interest paid	3,948	10,208
(Gain) / Loss on disposal of property, plant and equipment	-	3,035
Auditor's remuneration		
Remuneration of the Auditor, PPT Audit, for:		
- audit or review of the financial report	4,280	4,920
	4,280	4,920

4. Income tax

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

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

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 income 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.

4. Income tax (continued)

	2018 $	2017 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating to temporary differences	108,501	73,537
Recoupment of prior year tax losses	(54,267)	(38,537)
Adjustment to deferred tax asset due to change in tax rate	-	6,879
	54,234	**41,879**
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 27.5%	54,223	34,138
Add tax effect of:		
- Adjustment to deferred tax asset due to change in tax rate	-	6,879
- Non-deductible expenses	11	862
Income tax attributable to the Company	**54,234**	**41,879**
The applicable weighted average effective tax rate is	27.51%	33.74%
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	2,750	2,750
Accruals	4,027	4,370
Employee provisions	7,442	7,065
Unused tax losses	78,371	132,638
Net deferred tax asset / (liability)	92,590	146,823
Total carried forward tax losses not recognised as deferred tax assets	-	-
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	54,234	35,000
Adjustment to deferred tax asset due to change in tax rate	-	6,879
	54,234	**41,879**

5. 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.

	2018 $	2017 $
Cash at bank and on hand	394	833
	394	**833**

6. 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.

	2018 $	2017 $
Current		
Trade receivables	76,413	72,844
Sundry debtors	77	-
	76,490	**72,844**

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.

6. Trade and other receivables (continued)

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	76,413	76,413	-	-	-	-
Sundry debtors	77	77	-	-	-	-
Total	**76,490**	**76,490**	**-**	**-**	**-**	**-**
2017						
Trade receivables	72,844	72,844	-	-	-	-
Total	**72,844**	**72,844**	**-**	**-**	**-**	**-**

7. Prepayments

Prepayments represent items that will provide the Company with future economic benefits controlled by the Company as a result of past transactions or other past events.

	2018	2017
	$	$
Prepayments	31,343	19,960
Prepaid borrowing costs	62	143
	31,405	**20,103**

8. Property, plant and equipment

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.

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.

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

8 Property, plant and equipment (continued)

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.

	2018 $	2017 $
Leasehold improvements		
At cost	192,313	192,313
Less accumulated depreciation	(89,379)	(67,891)
	102,934	124,422
Furniture & fittings		
At cost	15,743	15,123
Less accumulated depreciation	(14,221)	(13,220)
	1,522	1,903
Motor vehicles		
At cost	29,523	29,523
Less accumulated depreciation	(10,323)	(3,923)
	19,200	25,600
Total property, plant and equipment	**123,656**	**151,925**

Movements in carrying amounts

	2018 $	2017 $
Leasehold improvements		
Balance at the beginning of the reporting period	124,422	137,244
Depreciation expense	(21,488)	(12,822)
Balance at the end of the reporting period	102,934	124,422
Furniture & fittings		
Balance at the beginning of the reporting period	1,903	1,414
Additions	620	1,161
Disposals	-	(12)
Depreciation expense	(1,001)	(660)
Balance at the end of the reporting period	1,522	1,903
Motor vehicles		
Balance at the beginning of the reporting period	25,600	10,374
Additions	-	29,523
Disposals	-	(9,159)
Depreciation expense	(6,400)	(5,138)
Balance at the end of the reporting period	19,200	25,600
Total property, plant and equipment		
Balance at the beginning of the reporting period	151,925	149,032
Additions	620	30,684
Disposals	-	(9,171)
Depreciation expense	(28,889)	(18,620)
Balance at the end of the reporting period	**123,656**	**151,925**

9 Intangible assets

Franchise fees, establishment costs and agency 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.

	2018 $	2017 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(10,000)
	-	-
Establishment fee		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(100,000)
	-	-
Agency fee		
At cost	44,170	44,170
Less accumulated amortisation	(44,170)	(44,170)
	-	-
Total intangible assets	**-**	**-**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	-	834
Amortisation expense	-	(834)
Balance at the end of the reporting period	-	-
Establishment fee		
Balance at the beginning of the reporting period	-	8,334
Amortisation expense	-	(8,334)
Balance at the end of the reporting period	-	-
Agency fee		
Balance at the beginning of the reporting period	-	7,096
Amortisation expense	-	(7,096)
Balance at the end of the reporting period	-	-
Total intangible assets		
Balance at the beginning of the reporting period	-	16,264
Amortisation expense	-	(16,264)
Balance at the end of the reporting period	**-**	**-**

10. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company 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.

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	11,228	17,121
Other creditors and accruals	38,119	36,823
	49,347	**53,944**

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

11. Borrowings

Loans
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference 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.

	2018 $	2017 $
Current		
Unsecured liabilities		
Bank overdraft	9,281	159,168
Secured liabilities		
Chattel mortgages	12,979	17,305
Unexpired interest	(370)	(1,487)
	21,890	**174,986**
Non-current		
Secured liabilities		
Chattel mortgages	-	12,979
Unexpired interest	-	(370)
	-	**12,609**
Total borrowings	**21,890**	**187,595**

(a) Bank overdraft and bank loans
The Company has an overdraft facility of $100,000 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.

12. Provisions

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

12. Provisions (continued)

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.

	2018 $	2017 $
Current		
Employee benefits	13,338	17,804
Non-current		
Employee benefits	13,724	7,888
Total provisions	**27,062**	**25,692**

13. Share capital

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.

	2018 $	2017 $
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.

14. 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 monitors 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 Company 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.

15. Retained earnings / (Accumulated losses)

	2018 $	2017 $
Balance at the beginning of the reporting period	(450,223)	(490,480)
Profit / (loss) after income tax	142,940	82,258
Dividends paid	(42,001)	(42,001)
Balance at the end of the reporting period	**(349,284)**	**(450,223)**

16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Interim and final unfranked ordinary dividends totalling 7 cents per share (2017: 7 cents per share).	42,001	42,001

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the Company on or before the end of the financial year, but not distributed at balance date.

17. Earnings per share

Basic earnings per share
Basic earnings per share is 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 issues during the year.

	2018 $	2017 $
Basic earnings per share (cents)	23.82	13.71
Earnings used in calculating basic earnings per share	142,940	82,258
Weighted average number of ordinary shares used in calculating basic earnings per share.	600,008	600,008

18. Statement of cash flows

	2018 $	2017 $
(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)	394	833
Less bank overdraft (Note 11)	(9,281)	(159,168)
As per the Statement of Cash Flow	(8,887)	(158,335)

(b) Reconciliation of cash flow from operations with profit after income tax

	2018 $	2017 $
Profit / (loss) after income tax	142,940	82,258
Non-cash flows in profit		
- Depreciation	28,889	18,620
- Amortisation	-	16,264
- (Profit) / loss on disposal of assets	-	3,035
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(3,646)	(12,285)
- (Increase) / decrease in prepayments and other assets	(11,302)	1,500
- (Increase) / decrease in deferred tax asset	54,233	41,879
- Increase / (decrease) in trade and other payables	(4,597)	1,737
- Increase / (decrease) in provisions	1,371	2,546
Net cash flows from / (used in) operating activities	207,888	155,554

(c) Credit standby arrangement and loan facilities

The Company has a bank overdraft facility of $100,000 (2017: $250,000). The overdraft facility is subject to normal commercial terms and conditions and may be terminated at any time at the option of the Bank. At 30 June 2018, $9,281 of this facility was used (2017: $159,168). Variable interest rates apply to the overdraft facility.

19. 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 Company, directly or indirectly including any Director (whether executive or otherwise) of that Company is considered key management personnel. In the opinion of the Board, the only key management personnel of the Company are the Directors.

(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

Other than detailed below, 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.

During the year, the Company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value (ex GST)
Rocket Accommodation Services Pty Ltd	Rent for Company Secretary office space (from 1/7/17 to 30/6/18)	$ 3,120

(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:

	2018	2017
Marek Julius Rak	23,001	23,001
Jeff Bain	2,953	2,953
Peter John Benedict Duncan	10,000	10,000
Philip Roy Gay	2,500	2,500
Joan Mary Janssen	500	500
Carol Louise Ross	500	500
Gregory Eugene Thompson	500	500
David John Smith	-	-
Jennifer Marion Russell	-	-
Victor Szwed	5,000	-
	44,954	39,954

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

(e) Other key management transactions

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

20. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the Financial Statements.

21. Contingent liabilities and contingent assets

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

22. Operating segments

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one area being Daylesford and surrounding district, in the State of Victoria. The Company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 100% of the Company's revenue (2017: 100%).

23. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2018 $	2017 $
Payable:		
- no later than 12 months	52,683	50,876
- between 12 months and five years	134,813	187,496
Minimum lease payments	187,496	238,372

The property lease was renewed on the 21st November, 2016. This 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 will be available in 2021. Rent per annum will then increase by 3.5% each year after.

24. Company details

The registered office and principal place of business is: Shop 3, 97 Vincent Street, Daylesford, Victoria, 3460.

25. 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 Risk Committee which reports regularly to the Board. The Board and Risk Committee are assisted in the area of risk management by an internal audit function conducted by franchise partner 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	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	394	833
Trade and other receivables	6	76,490	72,844
Total financial assets		**76,884**	**73,677**
Financial liabilities			
Trade and other payables	10	49,347	53,944
Borrowings	11	12,609	28,427
Bank overdraft	11	9,281	159,168
Total financial liabilities		**71,237**	**241,539**

(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.

25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2017: 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 $100,000 (2017: $250,000) 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 $90,719 (2017: $90,832).

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 2018	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets				
Cash and cash equivalents	394	394	-	-
Trade and other receivables	76,490	76,490	-	-
Total anticipated inflows	76,884	76,884	-	-
Financial liabilities				
Trade and other payables	49,347	49,347	-	-
Borrowings	12,609	12,609	-	-
Bank overdraft *	9,281	9,281	-	-
Total expected outflows	71,237	71,237	-	-
Net inflow / (outflow) on financial instruments	**5,647**	**5,647**	**-**	**-**

25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2017	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	833	833	-	-
Trade and other receivables	72,844	72,844	-	-
Total anticipated inflows	73,677	73,677	-	-
Financial liabilities				
Trade and other payables	53,944	53,944	-	-
Borrowings	28,427	15,818	12,609	-
Bank overdraft *	159,168	159,168	-	-
Total expected outflows	241,539	228,930	12,609	-
Net inflow / (outflow) on financial instruments	**(167,862)**	**(155,253)**	**(12,609)**	**-**

* 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.

Year ended 30 June 2018	Profit $	Equity $
+/- 1% in interest rates (interest income)	4	4
+/- 1% in interest rates (interest expense - overdraft)	(219)	(219)
	(215)	**(215)**

26. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2017

+/- 1% in interest rates (interest income)	8	8
+/- 1% in interest rates (interest expense - overdraft)	(1,876)	(1,876)
	(1,868)	(1,868)

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 8 to 33 are in accordance with the *Corporations Act 2001* and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the Company's financial position as at 30 June 2018 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.

Marek Rak
Chair

Philip Gay
Director

Signed at Daylesford on 25 September 2018.

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Independent Auditor's Report
To the Directors of Daylesford District Community Developments Ltd

Opinion

We have audited the financial report of Daylesford District Community Developments Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which addresses the Company's net current asset surplus at 30 June 2018 of $23,714 (2017: deficiency of $152,954) and its reliance on a bank overdraft facility to meet its day to day working capital requirements. The Directors believe that the matters set forth in Note 1(b) mitigate the material uncertainty that exists in relation to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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Independent Auditor’s Report

To the Directors of Daylesford District Community Developments Ltd

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

Signed at Ballarat
26th September 2018

Notes

Notes

Daylesford District **Community Bank**® Branch
Shop 3, 97 Vincent Street, Daylesford VIC 3460
Phone: 5348 4186 Fax: 5348 1225

Franchisee: Daylesford District Community Developments Limited
PO Box 571, Daylesford VIC 3460
Phone: Company Secretary: 0404 069 019
ABN: 72 149 942 067

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

www.bendigobank.com.au/daylesford
www.facebook.com/DaylesfordCommunityBankBranch/
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