

Daylesford District Community Developments Limited

ABN: 72 149 942 067

Financial Report

For the Year Ended 30 June 2022

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Daylesford District Community Developments Limited
ABN 72 149 942 067
Directors' Report

The Directors present their Report of Daylesford District Community Developments Limited (the 'Company') for the financial year ended 30 June 2022.

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 23 November 2021) | |
| 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 | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Board Chair; Chair, Recruitment & Remuneration Committee; Ex officio Member of all Board Sub-committees |
| Marianne Dunham (appointed 24 September 2019, elected 19 November 2019) | |
| Qualifications and experience | LLB University of Tasmania; Graduate Diploma Legal Practice ANU; Master of Science and Technology Commercialisation, University of Adelaide and Texas; Member of the Australian Institute of Company Directors. Non-executive director and senior commercial lawyer with extensive experience in the commercialisation of innovative products and services, the growth of start-ups and established businesses. |
| Other current directorships | Clene Australia Pty Ltd; Decibel Therapeutics Australia Pty Ltd; Q32 Bio Australia Pty Ltd |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Chair, Risk Management Committee |
| Philip Roy Gay (appointed 16 April 2012, re-elected 24 November 2020) | |
| 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. |
| Other current directorships | Chair of RG Withers Group. |
| Former directorships in last 3 years | 7-Eleven Stores Pty Ltd |
| Special responsibilities | Chair, Finance & Audit Committee; Member, Risk Management Committee |

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| Margaret Catherine Hodge (appointed 27 November 2018, elected 19 November 2019) | |
|--|--|
| Qualifications and experience | Diploma of Applied Science (Prosthetics and Orthotics), Lincoln Institute of Health Sciences; Bachelor of Prosthetics and Orthotics (Honours), La Trobe University; Fellow of the International Society for Prosthetics and Orthotics (ISPO); former member of the Australian Orthotics Prosthetics Association. 30 years experience in clinical practice in the public health sector, as a lecturer at La Trobe University and in leadership roles in not-for-profit organisations including 6 years on the ISPO Executive Board. |
| Other current directorships | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Chair, Community Investment Committee Member, Marketing Committee; Member, Risk Management Committee |

| Joan Mary Janssen (appointed 19 November 2013, re-elected 24 November 2020) | |
|--|---|
| 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 | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Member, Finance & Audit Committee; Member, Community Investment Committee |

| Victor Szwed (appointed 13 March 2018, retired 23 November 2021) | |
|---|--|
| Qualifications and experience | Diploma of Civil Engineering and Diploma of Town Planning (RMIT). Formerly Chief Executive Officer of Hepburn Shire Council. |
| Other current directorships | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Chair, Marketing Committee |

| Carol Louise Ross (appointed 28 October 2014, re-elected 23 November 2021) | |
|---|---|
| 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 | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Member, Community Investment Committee |

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| James Arthur Foster (appointed 4 November 2020, elected 24 November 2020) | |
|--|---|
| Qualifications and experience | Co-founder and secretary of The Daylesford Foundation a local not for profit. Former senior executive with public company Simsmetal Pty Ltd. Australia's leading metal recycling company. Founder and director of recycling company Associated Metals Pty Ltd sold to Smorgon Steel in 1995. Founder and director of recycling company Commercial Metals Pty Ltd sold to private equity in 2007. Former director of a logistics company moving land-based drilling rigs across the globe. In total 40 years of management experience across public and private companies. |
| Other current directorships | Starway Nominees Pty Ltd, Hayland Pty Ltd, ITAC Services (Aust) Pty Ltd, Armasuno Pty Ltd, Arjoma Pty Ltd |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Member, Community Investment Committee; Member, Risk Management Committee |

| Catherine Redwood, AM (appointed 24 November 2020, elected 23 November 2021) | |
|---|--|
| Qualifications and experience | BA/BSW hons Monash University, Accelerated MBA Melbourne Business School Catherine (known as Kate) has held senior management positions in both state government and the not for profit sector and in recent years a number of board positions, notably 9 years on the State Trustees Ltd board. She is currently Deputy Chair Central Highlands Rural Health. She has completed four terms as an elected councillor – two with City of Melbourne and two with Hepburn Shire Council. Kate was Hepburn Shire's mayor in 2015. |
| Other current directorships | Nil |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Member, Community Investment Committee |

| Peter Douglas (elected 23 November 2021) | |
|---|--|
| Qualifications and experience | B Bus (Marketing) Peter has held roles with large FMCG (Fast Moving Consumer Goods) businesses with Fosters International, Nestle, Fonterra and Bidvest, with a focus on National & International Sales Roles, along with an International and domestic role with the largest independent wine producer. Peter is currently Director of Belle Property Daylesford & Trentham with real estate sales and property management. Has been a local resident since 2015 and a strong advocate for the success of the region. |
| Other current directorships | Belle Property Daylesford, Belle Property Trentham |
| Former directorships in last 3 years | Nil |
| Special responsibilities | Chair, Marketing Committee Member, Community Investment 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.

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Directors' Report

Directors' meetings

Attendances by each Director during the financial year were as follows:

| | Board Meetings | | Finance & Audit Committee Meetings | | Community Investment Committee Meetings | | Risk Management Committee Meetings | | Marketing Committee Meetings ¹ | |
|--------------------------|----------------|---|------------------------------------|---|---|---|------------------------------------|---|---|---|
| Director | A | B | A | B | A | B | A | B | A | B |
| Marek Julius Rak * | 6 | 6 | 6 | 6 | 7 | 6 | 3 | 3 | | |
| Marianne Dunham | 6 | 6 | - | - | - | - | 3 | 3 | | |
| Philip Roy Gay | 6 | 5 | 6 | 6 | - | - | 3 | 3 | | |
| Margaret Catherine Hodge | 6 | 6 | - | - | 7 | 7 | 3 | 2 | | |
| Joan Mary Janssen | 6 | 6 | 6 | 6 | 7 | 7 | - | - | | |
| Carol Louise Ross | 6 | 5 | - | - | 7 | 6 | - | - | | |
| Arthur James Foster | 6 | 5 | - | - | 7 | 7 | 3 | 2 | | |
| Kate Redwood | 6 | 6 | - | - | 7 | 3 | - | - | | |
| Victor Szwed | 2 | 1 | - | - | 3 | 0 | - | - | | |
| Peter Douglas | 4 | 3 | - | - | 4 | 2 | - | - | | |

A - The number of meetings eligible to attend.

B - The number of meetings attended.

* - The Board Chair is entitled to attend all Committees ex officio

1. There were no marketing committee meetings held during the year

Treasurer

Jeff Bain is the Treasurer. He holds a Bachelor of Economics.

Company Secretary

Trevor Shard is the Company Secretary. He holds a Bachelor of Economics and a Diploma of Community Services, is a Senior Associate of the Financial Services Institute and a Fellow of the Governance Institute of Australia. He was former Company Secretary of Pasminco Limited and several other listed, public unlisted and proprietary 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.

Review of operations

Profit after tax for the financial year was \$53,320, (2021: \$105,488). Operating profit before tax, sponsorships and donations was \$159,873, (2021: \$287,472).

Low interest rates, unfavourable changes to the product mix and increased competition contributed to lower margins. In January 2022 the Company adopted new revenue share arrangements, which were a condition of the forthcoming franchise renewal in April 2022 (refer below). The new revenue share arrangements along with improved market conditions proved to be more beneficial for the Company and revenue improved during the second half of the year. Sponsorships and charitable donations for the year were \$83,593, (2021: \$145,008) including a contribution of \$30,000 to the Bendigo and Adelaide Bank Community Enterprise Fund which will be directed to local community investments in the future.

Continuing positive operating cash flow enabled the Company to maintain a strong cash position, while being able to pay a fully franked 8 cents per share dividend and a 6 cents per share return of capital.

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The Company's franchise agreement with Bendigo and Adelaide Bank Limited was renewed in April 2022 for 5 years and may be renewed for a further 5 years from 2027 at the Company's request. The branch premises lease was renewed for 5 years from December 2021.

The Company is on a firm financial footing and with rising interest rates is enjoying improving margins. There are good prospects to see higher revenue in the year ahead.

Dividends

A fully franked dividend of 8 cents per share (2021: partially franked 8 cents per share) was paid during the financial year.

Return of Capital

A capital reduction of 6 cents per share (2021: 7 cents per share) was 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 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 has agreed to purchase a commercial property in Hepburn Springs for use as an office space and community meeting facility.

Likely developments

The Company will continue to provide banking services to the local 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.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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Proceedings on behalf of the Company


No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a part for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's Independence Declaration

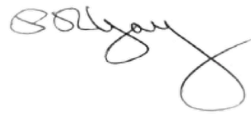
A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 33 of this Financial Report. No Officer of the Company is or has been a partner of the Auditor of the Company.

Signed in accordance with a resolution of the Board of Directors at Daylesford on 13 January 2023.

Marek Rak
Chair



Philip Gay
Director



Daylesford District Community Developments Limited
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Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|----------------------|-----------------------|
| Revenue | 2 | 806,863 | 967,163 |
| Expenses | | | |
| Employee benefits expense | 3 | 396,988 | 374,695 |
| Depreciation | 3 | 61,351 | 97,995 |
| Administration and general costs | | 83,633 | 93,372 |
| Finance costs | 3 | 6,622 | 2,858 |
| Rental expense | | 11,155 | 7,261 |
| Other occupancy expenses | | 37,023 | 41,510 |
| IT costs | | 31,729 | 37,060 |
| Advertising and marketing | | 11,954 | 11,559 |
| ATM costs | | 6,535 | 6,629 |
| Motor vehicle costs | | - | 6,752 |
| | | <u>646,990</u> | <u>679,691</u> |
| Operating profit / (loss) before charitable donations and sponsorships | | 159,873 | 287,472 |
| Charitable donations and sponsorships | | <u>83,593</u> | <u>145,008</u> |
| Profit / (loss) before income tax | | 76,280 | 142,464 |
| Income tax expense / (benefit) | 4 | <u>19,088</u> | <u>36,412</u> |
| Profit / (loss) for the year | | <u>57,192</u> | <u>106,052</u> |
| Other comprehensive income | | | |
| Gain / (loss) on the revaluation of equity instruments at fair value | | <u>(3,872)</u> | <u>(564)</u> |
| Total comprehensive income for the year | | <u>53,320</u> | <u>105,488</u> |
| Profit / (loss) attributable to members of the Company | | 53,320 | 105,488 |
| Total comprehensive income attributable to members of the Company | | <u>53,320</u> | <u>105,488</u> |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share): | | | |
| - basic earnings per share | 18 | 8.89 | 17.58 |

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

Daylesford District Community Developments Limited
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Statement of Financial Position
as at 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 246,921 | 364,694 |
| Trade and other receivables | 6 | 84,872 | 78,604 |
| Financial assets | 7 | 45,828 | 24,435 |
| Prepayments | 8 | 28,890 | 32,795 |
| Total current assets | | 406,511 | 500,528 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 919 | 13,559 |
| Deferred tax assets | 4 | 16,690 | 12,891 |
| Right of use assets | 10 | 225,649 | 22,679 |
| Total non-current assets | | 243,258 | 49,129 |
| Total assets | | 649,769 | 549,657 |
| Liabilities | | | |
| Current liabilities | | | |
| Current tax liabilities | 4 | (10,407) | 30,505 |
| Trade and other payables | 11 | 69,876 | 120,356 |
| Lease Liabilities | 12 | 43,358 | 23,533 |
| Provisions | 13 | 50,526 | 33,137 |
| Total current liabilities | | 153,353 | 207,531 |
| Non-current liabilities | | | |
| Lease Liabilities | 12 | 182,623 | - |
| Provisions | 13 | 5,232 | 2,884 |
| Total non-current liabilities | | 187,855 | 2,884 |
| Total liabilities | | 341,208 | 210,415 |
| Net assets | | 308,561 | 339,242 |
| Equity | | | |
| Issued capital | 14 | 455,519 | 491,519 |
| Retained earnings / (Accumulated losses) | 16 | (146,958) | (152,277) |
| Total equity | | 308,561 | 339,242 |

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

Daylesford District Community Developments Limited
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Statement of Changes in Equity
for the year ended 30 June 2022

| | Note | Issued capital \$ | Retained earnings \$ | Total equity \$ |
|--|-------------|----------------------------------|-------------------------------------|--------------------------------|
| Balance at 1 July 2020 | | 533,519 | (209,764) | 323,755 |
| Profit / (Loss) for the year | | - | 106,052 | 106,052 |
| Other comprehensive income for the year | | <u>-</u> | <u>(564)</u> | <u>(564)</u> |
| Total comprehensive income for the year | | - | 105,488 | 105,488 |
| Transactions with owners, in their capacity as owners | | | | |
| Return of capital | 14 | (42,000) | - | (42,000) |
| Dividends paid or provided | 17 | <u>-</u> | <u>(48,001)</u> | <u>(48,001)</u> |
| Balance at 30 June 2021 | | <u>491,519</u> | <u>(152,277)</u> | <u>339,242</u> |
| Balance at 1 July 2021 | | 491,519 | (152,277) | 339,242 |
| Profit / (Loss) for the year | | - | 57,192 | 57,192 |
| Other comprehensive income for the year | | <u>-</u> | <u>(3,872)</u> | <u>(3,872)</u> |
| Total comprehensive income for the year | | - | 53,320 | 53,320 |
| Transactions with owners, in their capacity as owners | | | | |
| Shares issued during the year | | - | - | - |
| Return of capital | 14 | (36,000) | - | (36,000) |
| Dividends paid or provided | 17 | <u>-</u> | <u>(48,001)</u> | <u>(48,001)</u> |
| Balance at 30 June 2022 | | <u>455,519</u> | <u>(146,958)</u> | <u>308,561</u> |

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

Daylesford District Community Developments Limited
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Statement of Cash Flows
for the year ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|------------------------------|------------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 800,595 | 975,763 |
| Payments to suppliers and employees | | (689,448) | (657,320) |
| Interest paid | | (6,622) | (2,858) |
| Interest received | | - | 702 |
| Income Tax Paid | | (63,799) | (5,334) |
| Net cash provided by / (used in) operating activities | 19b | <u>40,726</u> | <u>310,953</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | (726) |
| Proceeds from sale of property, plant & equipment | | - | 46,364 |
| Net cash flows from / (used in) investing activities | | <u>-</u> | <u>45,638</u> |
| Cash flows from financing activities | | | |
| Purchase of Investments | | (25,265) | (25,000) |
| Repayment of borrowings | | (49,233) | (53,577) |
| Repayment of capital | | (36,000) | (42,000) |
| Dividends paid | | (48,001) | (48,001) |
| Net cash provided by / (used in) financing activities | | <u>(158,499)</u> | <u>(168,578)</u> |
| Net increase / (decrease) in cash held | | (117,773) | 188,013 |
| Cash and cash equivalents at beginning of financial year | | 364,694 | 176,681 |
| Cash and cash equivalents at end of financial year | 19a | <u><u>246,921</u></u> | <u><u>364,694</u></u> |

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

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 12 January 2023.

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 Community Bank Daylesford District 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 or its wholly owned subsidiaries 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 Branch Manager and other authorised staff have 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 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 certain 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) 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.

(c) Goods and services tax (GST)

Revenues and expenses are recognised net of the amount of GST.

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 Australian Tax Office (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.

(d) New and amended accounting policies adopted by the Company

No new or amended accounting policies were adopted in the year ended 30th June 2022

(e) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. There were no changes to comparatives in this report.

1. Summary of significant accounting policies (continued)**(f) 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 expertise.

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.

Recovery of Deferred Tax Assets

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 6, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

(g) 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 entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

Daylesford District Community Developments Limited

ABN 72 149 942 067

Notes to the Financial Statements
for the year ended 30 June 2022

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 and is stated net of GST.

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.

| | 2022 \$ | 2021 \$ |
|---|-----------------------|-----------------------|
| Revenue | | |
| - service commissions, margins and fees | 791,009 | 917,982 |
| - market development fund | 15,000 | 22,500 |
| | <u>806,009</u> | <u>940,482</u> |
| Other revenue | | |
| - interest received | - | 702 |
| - Government subsidies and grants | - | 16,647 |
| - profit on sale of assets | 854 | 7,227 |
| - sundry income | - | 2,105 |
| Total revenue | <u>806,863</u> | <u>967,163</u> |

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:

| <i>Class of asset</i> | <i>Rate</i> | <i>Method</i> |
|------------------------|-------------|-------------------|
| Leasehold improvements | 15.75% | Straight Line |
| Plant and equipment | 30-67% | Diminishing Value |
| Motor vehicles | 25% | Diminishing Value |

Daylesford District Community Developments Limited

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**Notes to the Financial Statements
for the year ended 30 June 2022**

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.

| | 2022 | 2021 |
|---|----------------|----------------|
| | \$ | \$ |
| Profit before income tax includes the following specific expenses: | | |
| Employee benefits expense | | |
| - wages, salaries and allowances | 359,819 | 343,783 |
| - superannuation costs | 27,879 | 21,089 |
| - other costs | 9,290 | 9,823 |
| | <u>396,988</u> | <u>374,695</u> |
| Depreciation | | |
| <i>Depreciation</i> | | |
| - leasehold improvements | 12,056 | 30,300 |
| - furniture and fittings | 584 | 644 |
| - motor vehicles | - | 12,620 |
| - right of use property asset | 48,711 | 54,431 |
| | <u>61,351</u> | <u>97,995</u> |
| Finance costs | | |
| - interest paid | 6,622 | 2,858 |
| Auditor's remuneration | | |
| <i>Remuneration of the Auditor for:</i> | | |
| - audit or review of the financial report | 6,575 | 5,687 |
| | <u>6,575</u> | <u>5,687</u> |

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.

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Notes to the Financial Statements
for the year ended 30 June 2022

4. Income tax (continued)

| | 2022 \$ | 2021 \$ |
|---|-----------------|---------------|
| a. The components of tax expense / (income) comprise: | | |
| Current tax expense / (income) | 22,887 | 30,505 |
| Deferred tax expense / (income) relating to temporary differences | (3,799) | 5,907 |
| Recoupment of prior year tax losses | - | - |
| | 19,088 | 36,412 |
| 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 25% (2021: 26%) | 19,070 | 37,041 |
| Add tax effect of: | | |
| - Non-deductible expenses | 3,817 | 221 |
| - Non-assessable income | - | (6,757) |
| Income tax attributable to the Company | 22,887 | 30,505 |
| The applicable weighted average effective tax rate is | 30.00% | 25.56% |
| c. Current tax liability | | |
| Current tax relates to the following: | | |
| <i>Current tax liabilities / (assets)</i> | | |
| Opening balance | 30,505 | 5,334 |
| Income tax paid | (63,799) | (5,334) |
| Current tax | 22,887 | 30,505 |
| | (10,407) | 30,505 |
| d. Deferred tax asset / (liability) | | |
| Deferred tax relates to the following: | | |
| <i>Deferred tax assets balance comprises:</i> | | |
| Franchise fee | - | - |
| Accruals | 2,733 | 9,365 |
| Employee provisions | 13,957 | 3,526 |
| Net deferred tax asset / (liability) | 16,690 | 12,891 |
| 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 | (3,799) | 5,907 |
| | (3,799) | 5,907 |

Daylesford District Community Developments Limited
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Notes to the Financial Statements
for the year ended 30 June 2022

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.

| | 2022 | 2021 |
|--------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Cash at bank and on hand | 246,921 | 364,694 |
| | <u>246,921</u> | <u>364,694</u> |

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. An allowance for expected credit losses 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 allowance 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 allowance is recognised in profit or loss.

| | 2022 | 2021 |
|-------------------|----------------------|----------------------|
| | \$ | \$ |
| Current | | |
| Trade receivables | 84,872 | 77,319 |
| Sundry debtors | - | 1,285 |
| | <u>84,872</u> | <u>78,604</u> |

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.

A secondary credit risk relates to the Company's liability for a loan default where subsequent investigations reveals staff did not follow correct lending procedures.

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.

**Notes to the Financial Statements
for the year ended 30 June 2022**

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 | \$ |
| 2022 | | | | | | |
| Trade receivables | 84,872 | 84,872 | - | - | - | - |
| Sundry debtors | - | - | | | | |
| Total | 84,872 | 84,872 | - | - | - | - |
| 2021 | | | | | | |
| Trade receivables | 77,319 | 77,319 | - | - | - | - |
| Sundry debtors | 1,285 | 1,285 | | | | |
| Total | 78,604 | 78,604 | - | - | - | - |

7. Financial assets

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Classification

On initial recognition, the Company classifies its financial assets as being measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Daylesford District Community Developments Limited
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Notes to the Financial Statements
for the year ended 30 June 2022

7. Financial assets (continued)

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$ | \$ |
| <i>Financial assets - at amortised cost</i> | | |
| Pimco Australia Funds | 22,210 | - |
| Pendal Dynamic Income Fund | 23,618 | 24,435 |
| | <u>45,828</u> | <u>24,435</u> |

8. 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.

| | 2022 | 2021 |
|-------------|---------------|---------------|
| | \$ | \$ |
| Prepayments | 28,890 | 32,795 |
| | <u>28,890</u> | <u>32,795</u> |

9. 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.

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.

Daylesford District Community Developments Limited
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Notes to the Financial Statements
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9. Property, plant and equipment (continued)

| | 2022 \$ | 2021 \$ |
|--|-------------------|----------------------|
| <i>Leasehold improvements</i> | | |
| At cost | 192,313 | 192,313 |
| Less accumulated depreciation | <u>(192,313)</u> | <u>(180,257)</u> |
| | - | 12,056 |
| <i>Furniture & fittings</i> | | |
| At cost | 18,094 | 18,094 |
| Less accumulated depreciation | <u>(17,175)</u> | <u>(16,591)</u> |
| | 919 | 1,503 |
| <i>Motor vehicles</i> | | |
| At cost | - | - |
| Less accumulated depreciation | <u>-</u> | <u>-</u> |
| | - | - |
| Total property, plant and equipment | <u>919</u> | <u>13,559</u> |

Movements in carrying amounts

| | 2022 \$ | 2021 \$ |
|---|-------------------|----------------------|
| <i>Leasehold improvements</i> | | |
| Balance at the beginning of the reporting period | 12,056 | 42,356 |
| Depreciation expense | <u>(12,056)</u> | <u>(30,300)</u> |
| Balance at the end of the reporting period | - | 12,056 |
| <i>Furniture & fittings</i> | | |
| Balance at the beginning of the reporting period | 1,503 | 1,421 |
| Additions | - | 726 |
| Depreciation expense | <u>(584)</u> | <u>(644)</u> |
| Balance at the end of the reporting period | 919 | 1,503 |
| <i>Motor vehicles</i> | | |
| Balance at the beginning of the reporting period | - | 51,757 |
| Disposals | - | (39,137) |
| Depreciation expense | <u>-</u> | <u>(12,620)</u> |
| Balance at the end of the reporting period | - | - |
| Total property, plant and equipment | | |
| Balance at the beginning of the reporting period | 13,559 | 95,534 |
| Additions | - | 726 |
| Disposals | - | (39,137) |
| Depreciation expense | <u>(12,640)</u> | <u>(43,564)</u> |
| Balance at the end of the reporting period | <u>919</u> | <u>13,559</u> |

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Notes to the Financial Statements
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| 10. Right of use assets | 2022 | 2021 |
|--|-----------------------|----------------------|
| | \$ | \$ |
| <i>Building premises</i> | | |
| At cost | 250,721 | 128,911 |
| Less accumulated depreciation | <u>(25,072)</u> | <u>(106,232)</u> |
| | <u>225,649</u> | <u>22,679</u> |
| Movements in carrying amounts | | |
| <i>Building premises</i> | | |
| Balance at the beginning of the reporting period | 22,679 | 60,779 |
| Revaluation | 251,681 | 16,331 |
| Depreciation expense | <u>(48,711)</u> | <u>(54,431)</u> |
| Balance at the end of the reporting period | <u>225,649</u> | <u>22,679</u> |

Daylesford District Community Developments Limited
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Notes to the Financial Statements
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11. 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.

| | 2022 | 2021 |
|-------------------------------|----------------------|-----------------------|
| | \$ | \$ |
| Current | | |
| <i>Unsecured liabilities:</i> | | |
| Trade creditors | 45,309 | 94,690 |
| Other creditors and accruals | 24,567 | 25,666 |
| | <u>69,876</u> | <u>120,356</u> |

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

12. Lease liabilities

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

| | 2022 | 2021 |
|-------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Current | | |
| Lease liability - building premises | <u>43,358</u> | <u>23,533</u> |
| Non-current | | |
| Lease liability - building premises | <u>182,623</u> | <u>-</u> |
| Total Lease Liabilities | <u>225,981</u> | <u>23,533</u> |

13. 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 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.

13. Provisions (continued)*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.

| | 2022 \$ | 2021 \$ |
|-------------------------|----------------------|----------------------|
| Current | | |
| Employee benefits | <u>50,526</u> | <u>33,137</u> |
| Non-current | | |
| Employee benefits | <u>5,232</u> | <u>2,884</u> |
| Total provisions | <u><u>55,758</u></u> | <u><u>36,021</u></u> |

14. 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.

| | 2022 \$ | 2021 \$ |
|------------------------------------|-----------------------|-----------------------|
| Movements in share capital | | |
| 600,008 Ordinary shares fully paid | 600,008 | 600,008 |
| Less: Equity raising costs | (24,488) | (24,488) |
| Less: Return of capital | <u>(120,001)</u> | <u>(84,001)</u> |
| | <u><u>455,519</u></u> | <u><u>491,519</u></u> |

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 | <u><u>600,008</u></u> | <u><u>600,008</u></u> |

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.

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Notes to the Financial Statements
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15. 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, which is the greater of;

- (a) 20% of the profit before sponsorships, donations and tax 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, which is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%, multiplied by the average level of share capital of the Company over that 12 month period.

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.

16. Retained earnings / (Accumulated losses)

| | 2022 | 2021 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Balance at the beginning of the reporting period | (152,277) | (209,764) |
| Comprehensive income for the year | 53,320 | 105,488 |
| Dividends paid | (48,001) | (48,001) |
| Balance at the end of the reporting period | <u>(146,958)</u> | <u>(152,277)</u> |

17. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

| | | |
|---|--------|--------|
| Fully franked ordinary dividends totalling 8 cents per share (2021: partially franked 8 cents per share). | 48,001 | 48,001 |
|---|--------|--------|

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.

18. 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.

| | 2022 | 2021 |
|--|-------------|-------------|
| | \$ | \$ |
| Basic earnings per share (cents) | 8.89 | 17.58 |
| Earnings used in calculating basic earnings per share | 53,320 | 105,488 |
| Weighted average number of ordinary shares used in calculating basic earnings per share. | 600,008 | 600,008 |

Daylesford District Community Developments Limited

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**Notes to the Financial Statements
for the year ended 30 June 2022**

19. Statement of cash flows

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| (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) | 246,921 | 364,694 |
| As per the Statement of Cash Flow | <u>246,921</u> | <u>364,694</u> |
| (b) Reconciliation of cash flow from operations with profit after income tax | | |
| Profit / (loss) after income tax | 53,320 | 106,053 |
| Non-cash flows in profit | | |
| - Depreciation | 61,351 | 43,564 |
| - Amortisation | - | 54,431 |
| - Profit / (loss) on sale of assets | - | (7,227) |
| - Other Non-Cash Items | - | (2,105) |
| - (Gain) / loss on the revaluation of equity instruments at fair value | 3,872 | 564 |
| Changes in assets and liabilities | | |
| - (Increase) / decrease in trade and other receivables | (6,268) | 18,153 |
| - (Increase) / decrease in prepayments and other assets | 3,905 | (1,121) |
| - (Increase) / decrease in deferred tax asset | (3,799) | 5,826 |
| - Increase / (decrease) in current tax liability | (40,912) | 25,171 |
| - Increase / (decrease) in trade and other payables | (50,480) | 72,950 |
| - Increase / (decrease) in provisions | 19,737 | (5,306) |
| Net cash flows from / (used in) operating activities | <u>40,726</u> | <u>310,953</u> |

(c) Credit standby arrangement and loan facilities

There were none.

20. 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

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.

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**Notes to the Financial Statements
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(d) Key management personnel shareholdings

The number of ordinary shares in Daylesford District Community Developments Limited held by Directors and each key management personnel of the Company, either directly or indirectly, during the financial year is as follows:

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| Marek Julius Rak | 23,001 | 23,001 |
| Jeff Bain | 2,953 | 2,953 |
| Peter John Benedict Duncan | 10,000 | 10,000 |
| Marianne Dunham | - | - |
| Arthur James Foster | 1,000 | 1,000 |
| Philip Roy Gay | 2,500 | 2,500 |
| Margaret Catherine Hodge | 500 | 500 |
| Joan Mary Janssen | 500 | 500 |
| Catherine Redwood | 500 | 500 |
| Carol Louise Ross | 500 | 500 |
| Trevor James Shard | 2,000 | 2,000 |
| Victor Szwed | 5,000 | 5,000 |
| | <u>48,454</u> | <u>48,454</u> |

(e) Other key management transactions

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

21. Events after the reporting period

The Company has agreed to purchase a commercial property for the purposes of Board office accommodation and a community hub. the purchase will be funded by debt and equity. The precise ownership structure is yet to be determined.

Other than the matter disclosed here no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the company's state of affairs in future financial years.

22. Contingent liabilities and contingent assets

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

23. 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 (2021: 100%).

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 | 2022 \$ | 2021 \$ |
|------------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | 5 | 246,921 | 364,694 |
| Trade and other receivables | 6 | 84,872 | 78,604 |
| Financial assets | 7 | 45,828 | 24,435 |
| Total financial assets | | 377,621 | 467,733 |
| Financial liabilities | | | |
| Trade and other payables | 11 | 69,876 | 120,356 |
| Lease liabilities | 12 | 225,981 | 23,533 |
| Total financial liabilities | | 295,857 | 143,889 |

(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.

Daylesford District Community Developments Limited
ABN 72 149 942 067
Notes to the Financial Statements
for the year ended 30 June 2022

25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2021: 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 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 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 2022 | Total \$ | Within 1 year \$ | 1 to 5 years \$ | Over 5 years \$ |
|--|---------------------|---------------------------------|--------------------------------|--------------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 246,921 | 246,921 | - | - |
| Trade and other receivables | 84,872 | 84,872 | - | - |
| Financial assets | 45,828 | 45,828 | - | - |
| Total anticipated inflows | 377,621 | 377,621 | - | - |
| Financial liabilities | | | | |
| Trade and other payables | 69,876 | 69,876 | - | - |
| Lease liabilities | 225,981 | 43,358 | 182,623 | - |
| Total expected outflows | 295,857 | 113,234 | 182,623 | - |
| Net inflow / (outflow) on financial instruments | 81,764 | 264,387 | (182,623) | - |
| 30 June 2021 | Total \$ | Within 1 year \$ | 1 to 5 years \$ | Over 5 years \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 364,694 | 364,694 | - | - |
| Trade and other receivables | 78,604 | 78,604 | - | - |
| Financial assets | 24,435 | 24,435 | - | - |
| Total anticipated inflows | 467,733 | 467,733 | - | - |

Daylesford District Community Developments Limited

ABN 72 149 942 067

**Notes to the Financial Statements
for the year ended 30 June 2022**

25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liabilities

| | | | | |
|--|----------------|----------------|----------|----------|
| Trade and other payables | 120,356 | 120,356 | - | - |
| Lease liabilities | 23,533 | 23,533 | - | - |
| Total expected outflows | 143,889 | 143,889 | - | - |
| Net inflow / (outflow) on financial instruments | 323,844 | 323,844 | - | - |

(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 2022 | | |
| +/- 1% in interest rates (interest income) | 2,927 | 2,927 |
| +/- 1% in interest rates (interest expense) | (2,260) | (2,260) |
| | 667 | 668 |
| Year ended 30 June 2021 | | |
| +/- 1% in interest rates (interest income) | 3,891 | 3,891 |
| +/- 1% in interest rates (interest expense) | (235) | (235) |
| | 3,656 | 3,656 |

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

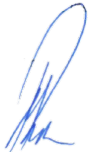
The Company is not exposed to any material price risk.

Daylesford District Community Developments Limited
ABN 72 149 942 067
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 31 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 2022 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 13 January 2023.

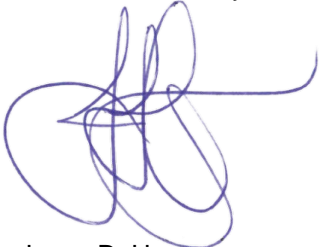
Daylesford District Community Developments Limited

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 2022 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.

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Jason D. Hargreaves
Director

180 Eleanor Drive, Lucas

12th January 2023

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 2022, 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 2022 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.

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.

Independent Auditor's Report

To the Directors of Daylesford District Community Developments Ltd

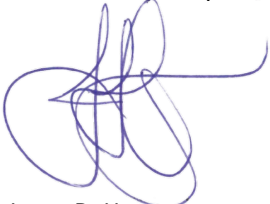
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

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Jason D. Hargreaves
Director

Signed at Lucas
16th January 2023