

Fuel Sales Still Strong, Despite Market Pressure

“Yackandandah Station” has now been open for 10 months and what a time it has been!

This period has been characterised by:

- the much publicised use of aggressive loss-leading marketing tactics with fuel by the major supermarkets (who control 80% of the Australian market) to increase market share in groceries;
- world oil prices increasing to levels never before seen; and
- independent fuel retailers closing down all over Australia.

What a time to open up shop!

The good news is, despite all these factors, YCDCo. is trading strongly and profitably. As stated in our Annual Report, we reported a profit of \$35,000 for the year ended 31 March 2004¹.

And this trend has generally held up over the first 6 months of the new financial year with sales averaging around 30,000 litres per week.

By any measure, this past 12 months has been the most competitive period ever for independent fuel retailers. With the price now settled above the \$1.00 p/litre mark, gross margins remain very slim. Our strategy is to sell fuel at fair prices, without trying to match the aggressive pricing of the big supermarket chains. Generally, this means that we can buy quality fuel in Yackandandah cheaper than in other comparable north east towns.

The overall impact of these conditions is that margins over the past 6 months have been lower than what we forecast. However, we remain confident that the situation will settle down over the next 18 months to 2 years and better margins will result.

Seasonality of fuel sales also suggests that volumes and profits may improve towards the end of the calendar year. Subject to these factors (much of which is out of our hands), we are still forecasting a full year operating profit for YCDCo. Ltd. of about \$35,000.

1. The YCDCo. financial year runs from 1 April to 31 March.

Community Projects

Wanted Project Proposals

Applications for funding /project proposals are invited for Community Projects under the YCDCo. Ltd. **Community Commitment.**

We have \$15,000 available for community projects & initiatives in Yackandandah. This may be used for projects directly undertaken by community groups. Alternatively, it may be used by YCDCo. for a project we undertake in cooperation with a group.

In any case, projects must:

“... benefit the economic, social or cultural condition of Yackandandah or its surrounding areas.”

Projects should show strong community involvement & explore other ‘add-on’ funding sources.

For an INFORMATION PACK, contact Phil Newman on 6027 1949 or email yackphil@dodo.com.au

Applications close on 30 November 2004.

→ Rural Supplies/Produce

These market factors have also reinforced the need for us to establish new complimentary business and product lines at Yackandandah Station.

We are pleased to announce that we will soon commence the sale of rural supplies, produce and equipment from Yackandandah Station, including:

- ü water tanks and poly products
- ü fencing supplies and equipment (wire, star pickets, posts etc.)
- ü stock feeds and produce
- ü minor rural supplies, hardware & equipment

We have identified these product lines as complimentary to the service station business and the site layout. We have applied for a planning permit for the expanded use and for extended weekend operating hours.

In line with our philosophy, these changes are being introduced in consultation with the Robinsons of **Yackandandah Hardware**. Shareholders will be kept informed of developments.

Community Commitment Projects ...

At last! We are inviting project proposals under the YCDC. Community Commitment clause of the Company Constitution. (See invitation on page 1).

For those who don't know, clause 27 of our Constitution requires the company to contribute 50% of any distributed profits to community projects, causes or initiatives. The other 50% is available to be distributed to shareholders as dividends.

We have spent a great deal of time, (with the input of a group of shareholders and our accountants) on exactly how this community commitment process will work. As we are a public company, there are important tax implications in what we are doing and we are trying to set up an arrangement whereby the funds donated to the community are tax free (unfortunately, it's not as easy as it seems!).

We also need to develop a process which is **fair** and **transparent** and will ensure the funds end up being used for a good cause.

The agreed process we will apply is as follows:

- We will invite project proposals/funding applications from local groups (by notices, emails etc.). This is what is happening now.
- The allocation of funds will be determined by the YCDCo. Board working with 3 community representatives co-opted for this purpose (who are also shareholders).
- The distribution of funds will be reported to the AGM and in the annual report each year.

The current funding process invites proposals /funding applications by 30 November 2004 with a view to distributing approximately \$15,000 by 31 March 2005. However, we see the funding allocation process as an ongoing one. That means, subject to the availability of community commitment funds, we will be able to allocate funds at any time during the year.

We also see it as an iterative process. We envisage working with local groups on putting projects together and perhaps facilitating joint projects.

Interested groups should get hold of an Information Pack (from the servo, newsagency, general store, Dryden secretarial or email yackphil@dodo.com.au). To discuss ideas/proposals, contact Phillip Newman on 6027 1949.

"YCards" Accounts Available ...

YCDCo. offers accounts to local businesses with an ABN. Account customers will get a "Y-Card/s and 14 day credit terms. A monthly administration fee applies. Applicants should note that credit terms will be STRICTLY APPLIED. More information / account application forms are available at the service station or from the Company Secretary on 6027 1385.

Sorry ...

NO GAS!

We have previously stated in this newsletter and elsewhere that we had decided to install LP Gas at the new service station site.

Unfortunately, like many things in the fuel game not all was as it seemed and it is more difficult than we first thought.

Now, we will definitely **not be offering LP Gas** from the new site. The reasons for this are complicated but in simple terms, we do not have enough volume and it is just too marginal in profit terms.

We apologise for any inconvenience this has caused our shareholders or customers.

Diesel Fuel Trailer Now Available ...

As we indicated at the Company's AGM in June, we have now purchased a diesel fuel trailer which is available for loan to all customers.

The trailer is ideal for farm or other bulk uses and there is no charge for using it.

- It has 1000 litre capacity (with an electrical operated pump); and
- It must be towed by an appropriate vehicle (conditions apply).

The diesel fuel trailer has been introduced as a service to our customers as a result of the continual erosion of on-farm fuel delivery service by major fuel distributors.

Please help Us Spread the Word

And remember

Loyalty is the key

Finally, a reminder that customer loyalty is the key to our long-term success. While people in Yackandandah continue to use their local service station, YCDCo. will be profitable.

Thanks for your ongoing support!