

Trafalgar & District Financial Services Ltd

ABN 86 102 573 222

Shareholder Newsletter

June 2011

Dear Shareholder,

There has been a change of management within the Trafalgar & District **Community Bank**[®] Branch, with our inaugural branch manager, Bryan Leaf, retiring in April and being replaced by Phil Drummond. More details on Phil's appointment can be found below.

This newsletter also contains information about the following news items:

- The company continues to improve its profitability, and we provide a summary of the audited interim financial statements to 31 December 2010;
- Bendigo Bank has varied the amount of commission payable on certain products with effect from 1 April 2011 (Continuous disclosure);
- The board has co-opted a new director;
- Staffing update;
- We also had our first grants programme presentation in early March in which more than \$116,000 was given to local community groups;
- Our first major initiative, the Youth Foundations Project, is further extended to 31 December.
- We are working through our strategic planning process for the next three years;
- We are finalising our stakeholder survey, and have commenced our shareholder survey;
- Our response to the Fairfax article on 14th May



New branch manager begins duties

Trafalgar & District **Community Bank**[®] Branch has appointed Phil Drummond as its new branch manager, following Bryan Leaf's retirement. Phil has extensive experience in local government and knows this geographical area well, having worked for the Baw Baw Shire Council for the last 20 years.

Prior to leaving council last year, Phil was Director Corporate Development, a position he held for almost five years. In this role, Phil was responsible for managing the financial, human resources and other internal business operations of the council.

He also has extensive experience in improving service delivery and engaging with communities throughout his career in local government, Phil was the shire's acting chief executive officer for six months prior to a permanent appointment being made last July.

Prior to that, he filled a number of roles while working at Baw Baw Shire Council, including Manager Organisational Development. As part of this role, Phil was responsible for human resource management, customer service and business improvement.

Phil's appointment is a great boost to the branch. His skills, experience and knowledge will build on the fine work Bryan Leaf did in building the branch up to where it is today.

Phil's vast experience in managing financial activities in local government at a senior level, together with his skills in business excellence, process improvement and HR, made him the ideal candidate for the role of branch manager. Phil commenced duties in April. The board expresses its sincerest thanks to Bryan as the inaugural branch manager. We wish him and his wife Lorraine, a long, happy and healthy retirement.



**Board of Directors, Trafalgar & District Financial Services Limited,
P.O. Box 391, Trafalgar 3824**

Mick Bourke (chairman), Chris Badger (deputy chairman), Peter Marx (secretary), Michelle Robertson (treasurer),
Dylan Berends, Sally Brown, Glenn Fozard, Di Harrison, Wayne McArdle, Gary Smith

Interim financial statements

The interim financial statement shows that the company has made a profit before tax and grants of \$104,618 for the first six months to 31 December 2010. This compares to \$88,305 for the same period ending 31 December 2009. Earnings per share increased from 16.6 cents per share as at 31 December 2009 to 19.6 cents per share on 31 December 2010

While the board believes that the company is on course for a profit greater than the revised budget, there are some large expenses to be paid in the second half of this financial year. While the board believes that this will occur, there are some large expenses to be paid in the second half of this financial year. A summary of the interim financial statements is found at the back of this newsletter.

The full interim financial statement is on our website:

http://www.bendigobank.com.au/public/community_bank/community_bank_branches.asp scroll to 'Trafalgar & District', then go to 'Investor relations' on the left hand side of the page.

Continuous disclosure

Bendigo and Adelaide Bank Limited has notified Trafalgar and District Financial Services Ltd that the bank will be varying the amount of commission payable on certain products with effect from 1 April 2011.

Trafalgar and District Financial Services Ltd has assessed the impact of these changes, and estimates that this will result in a reduction in commission earnings of \$35,000 for the 2011/2012 financial year, and \$38,000 for the 2012/2013 financial year.

These changes will have no other material impact on Trafalgar and District Financial Services Ltd.

New director

The board has co-opted Wayne McArdle to be a director until the next annual general meeting.

Wayne is a barrister and solicitor with his own business in Trafalgar. The board has identified that not having a director with legal expertise was a gap in its composition. We welcome Wayne to the board and look forward to his contribution.

In accordance with the *Corporations Act 2001* (Cth), Wayne must nominate himself to the shareholders at the next annual general meeting if he wishes to remain on the board.

Staff update

Our staff structure has remained stable in recent times. With new staff and promotion appointments last year in the **Community Bank**[®] branch, we have entered a period of consolidation in the branch. All staff members are performing to the expected standard and the board is pleased with their work ethos.

The company's administration officer, Mel White, had her contract extended for three years in March. The board is extremely pleased with Mel's performance and looks forward to having her part of the team for some time to come.

First grants programme presentation

About 50 people attended the first grants presentation at the **Community Bank**[®] branch's premises on 1 March, including representatives from Bendigo and Adelaide Bank, other **Community Bank**[®] branches and former directors of Trafalgar & District **Community Bank**[®] Branch.

It was a special moment in the life of the **Community Bank**[®] branch, with more than \$116,000 in grants presented to local community groups.

Since our **Community Bank**[®] branch first started supporting community projects and events, we have gifted almost \$188,000 in sponsorship, \$112,000 in grants outside of this program and now another \$116,000.

This means that we have contributed more than \$415,000 to local community groups. This has also resulted in significant intangible benefits to our local communities. Full details of who received grants is available on our website (look under 'News')



For more information on our **Community Bank**[®] branch services,
please call into

103a Princes Highway, Trafalgar

or ☎ (03) 5633 2783

This doesn't include the money our **Community Bank®** company has invested in the community by employing staff and advertising in local community newspapers.

Youth Foundations Project

Our company is one of 15 **Community Bank®** companies across Victoria which are taking part in the four-year Youth foundations Project, which was due to expire on 30 June. The project has a number of aims, including to develop young people's leadership, planning and management skills and decision-making roles in the community. The company has contributed \$105,000 to the project, which was matched by the state government. The board has agreed to further fund the project into the 2011-12 financial year as a result of the government extending its funding until 31 December 2011. The board has also agreed to continue with the project after 1 January 2012 subject to further discussions with the local community on its continued involvement'

Strategic planning process

The company is undertaking its annual review of its three-year strategic plan. Once completed, directors will then develop annual action plans to implement the strategies. As part of this year's process, the board will, for the first time, develop a process to evaluate its performance, and then undertake that evaluation. Details of the strategic plan will be put on our website by June/July.

Surveys

Stakeholders

The survey of our stakeholders (customers and non-customers) is complete and we are going through the data analysis phase. The outcome of the survey will enable the board to be better informed in its decision making regarding stakeholder interaction.

Shareholders

You will have recently received a letter regarding focus groups to be held involving shareholders so that we can better understand your expectation of the board, plus how two-way communication can be improved. I encourage you to be involved in this process. If demand is great, shareholders will be randomly selected to participate as the focus group numbers will be limited.

Media reports on **Community Bank®** branches

On Saturday, 14 May 2011 the Fairfax group published an article on the viability of Bendigo and Adelaide Bank's **Community Bank®** model. Bendigo and Adelaide Bank advises that it believes the article is dishonest by omission and lack of balance.

The board of Trafalgar & District Financial Services Limited is extremely confident of the long-term viability of Trafalgar & District **Community Bank®** Branch. Our **Community Bank®** company had \$440,373 invested together with \$203,097 cash in the bank as at 30 April 2011. The attached interim audited financial statements show that the company will post another strong profit this year.

The board places an extremely strong emphasis on corporate governance to ensure that the company is governed to the high-standard expected by our customers, shareholders and community.



Mick Bourke
Chairman

We are open:
Monday-Friday 9.00am – 5.00pm
Saturday 9.00am - 12.00noon
 **(03) 5633 2783**

Interim Financial Statement

Trafalgar and District Financial Services Limited

ABN 86 102 573 222

Income Statement for the half-year ended 31 December 2010

	31-Dec 2010 \$	31-Dec 2009 \$
REVENUE		
Revenue from ordinary activities		
Income from operations	434,256	375,325
Interest received	<u>12,691</u>	<u>8,398</u>
	446,947	383,723
EXPENSES		
Employee benefit expenses	154,653	136,407
Depreciation	4,447	4,831
Amortisation of franchise fee	6,886	6,886
General administration	63,186	69,230
Leasing costs	4,173	4,371
Audit services	686	585
Advertising and promotion	3,763	2,347
Marketing and sponsorships	36,901	13,904
Occupancy costs	<u>21,451</u>	<u>14,962</u>
	296,146	253,523
Profit / (loss) before income tax expense / credit	150,801	130,200
Income tax relating to ordinary activities	<u>(46,183)</u>	<u>(41,895)</u>
Profit / (loss) for the period	<u>104,618</u>	<u>88,305</u>
Profit / (loss) attributable to members of the entity	<u>104,618</u>	<u>88,305</u>
Earnings per share (cents per share)		
- basic for the period (cents)	19.6	16.6
- diluted for the period (cents)	19.6	16.6

http://www.bendigobank.com.au/public/community_bank/community_bank_branches.asp
then scroll to 'Trafalgar & District'

Trafalgar & District **Community Bank®** Branch

Supporting local communities

 **Bendigo Bank**