

# annual report | 2009



Trafalgar & District  
Financial Services Limited  
ABN 86 102 573 222

Trafalgar & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2009

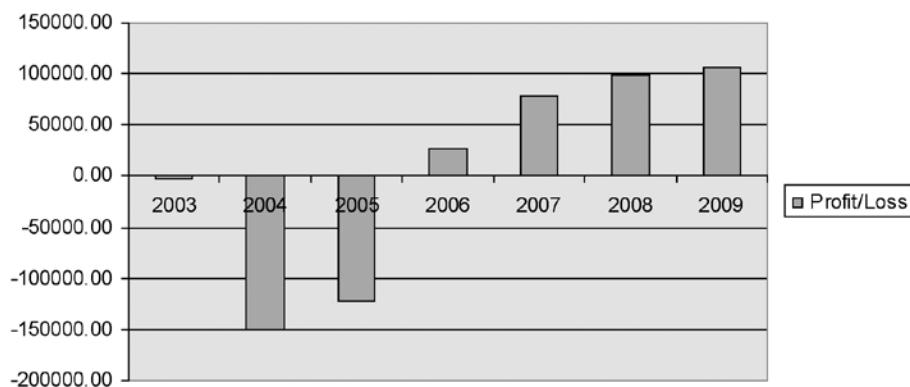
This year marked the first five years of our Company's existence. The highlight has been the renewal of the franchise for a further five years with two extensions permitted, providing Trafalgar & District **Community Bank**<sup>®</sup> Branch with a stable long-term future.

## Profit

I am pleased to report that the Company made a profit of \$107,230. Whilst the profit was below projections, it was still an improved profit on the previous year. Considering the economic environment over the past year or so, the Board is satisfied with the outcome.

We have now operated with a profit for each of the past four years, with the Company now free of the debt it incurred when established. Figure 1 shows the profit/loss of the **Community Bank**<sup>®</sup> branch since its establishment. The early losses were due to set-up costs.

**Figure 1: Profit/Loss since Company's establishment**



The Board has budgeted for a profit of \$149,000 in the 2009/10 financial year.

## Dividend

It is with great pleasure that I announce that the Board has declared its first dividend of five cents per share fully franked. The dividend is payable to shareholders owning shares as at close of business on 3 September 2009.

The Board appreciates the patience of shareholders.

# Chairman's report continued

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## Franchise renewal

The Company's first five-year franchise to operate the Trafalgar & District **Community Bank**<sup>®</sup> Branch expired late last year. The Board subsequently renewed its franchise agreement with the Bendigo and Adelaide Bank Ltd for a further five year period at a cost of \$79,277, which was payable on renewal. In the longer term, the new franchise allows for a further two renewals, thereby providing the existence of the **Community Bank**<sup>®</sup> branch franchise for at least the next 15 years.

## Company governance

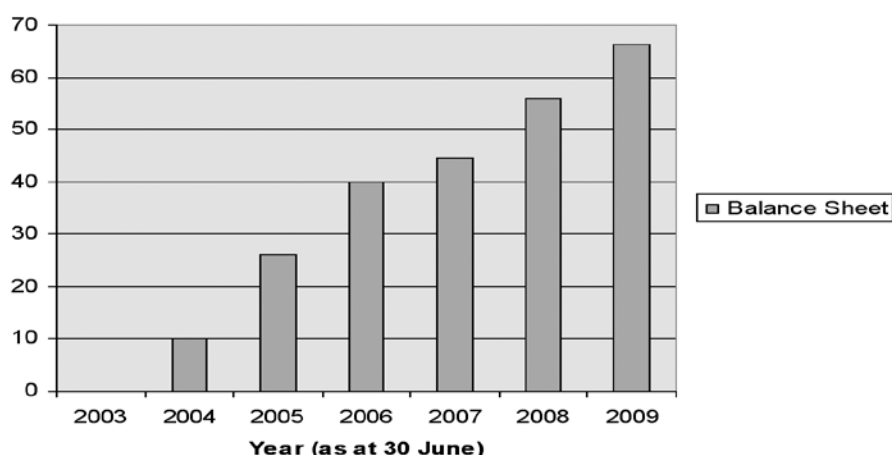
The Board has concentrated on developing a sound base regarding Company governance over the past year. It has commenced a programme of developing policies covering a range of matters, including Board governance, Board operational, human resources, etc. It has created a Crisis Response Committee, and at the end of June, was in the process of formalising an Audit & Risk Committee and a Governance & HR Committee. Charters for these committees will be developed during the first quarter of 2009/10. Work on a charter for the Board has also commenced for approval in the first quarter of the new financial year.

A Risk Management Framework is also being developed, which will provide the Board with a structure to properly manage its risks. The Risk Management Framework covers the following criteria: People, Financial, Reputation, and Board Governance.

## Finances

The Company continues to grow steadily, with its balance sheet being \$66.38 million as at 30 June this year, from \$55.5 million at the start of the financial year. This represents an average growth of approximately \$1 million per month since our **Community Bank**<sup>®</sup> branch opened in November 2003 (see Figure 2).

**Figure 2: Balance Sheet growth**



## Sponsorship

We continue to support local communities, with \$75,500 in sponsorship distributed during the financial year. The major recipient is the Youth Foundation Project, which the Board has committed almost \$100,000 over a three year period.

Since its inception, the **Community Bank**<sup>®</sup> branch has provided \$168,547 to local communities.

# Chairman's report continued

**Table 1: Marketing and sponsorship 2005/06 to 2008/09**

Organisation funded	2005/06 \$	2006/07 \$	2007/08 \$	2008/09 \$	Total \$	%
Drouin Lions Club			130		130	0.1%
Gippsland Emergency Relief Fund				5,000	5,000	3.0%
Gippsland Greenkeepers & Bowlers			-	150	150	0.1%
Hill End Community Inc				1,770	1,770	1.1%
Hill End Grove Junior Football Club			1,200	1,000	2,200	1.3%
Mid Gippsland Bowling Assoc	100	100	100	200	500	0.3%
Narracan Hall C'ttee			1,656		1,656	1.0%
Ossie Mills Award			500		500	0.3%
Ride to Work Day		185	88		273	0.2%
Tanjil Art Show		500	500	500	1,500	0.9%
Thorpdale Bowling Club	409	450	450	360	1,669	1.0%
Thorpdale Football & Netball Club		600	600	600	1,800	1.1%
Thorpdale Kindergarten				600	600	0.4%
Thorpdale Multi-Purpose Stadium				700	700	0.4%
Thorpdale Primary School			100		100	0.1%
Thorpdale Rural Fire Brigade			2,995		2,995	1.8%
Traf News		15,190	-	-	15,190	9.0%
Traf Park Bowling Club	500			240	740	0.4%
Trafalgar - Battle of Trafalgar Festival	3,636	1,090	500	2,000	7,226	4.3%
Trafalgar & District Basketball Assoc				400	400	0.2%
Trafalgar & District Community Homes			1,500		1,500	0.9%
Trafalgar & District Probus			1,200		1,200	0.7%
Trafalgar Bowling Club			1,000	2,000	3,000	1.8%
Trafalgar Boxing Gym				1,306	1,306	0.8%
Trafalgar Chamber of Commerce		250		2,000	2,250	1.3%
Trafalgar Cricket Club				750	750	0.4%
Trafalgar East Hall C'ttee			500		500	0.3%
Trafalgar Equestrian Park (rodeo)		100			100	0.1%
Trafalgar Football & Netball Club		1,400	5,000	3,500	9,900	5.9%
Trafalgar Golf Club	573	600	500	500	2,173	1.3%
Trafalgar High School		700		150	850	0.5%
Trafalgar Lioness Club				200	200	0.1%
Trafalgar Lions Club		100			100	0.1%

## Chairman's report continued

Organisation funded	2005/06 \$	2006/07 \$	2007/08 \$	2008/09 \$	Total \$	%
Trafalgar Pony Club		100			100	0.1%
Trafalgar Primary School		196	346	328	870	0.5%
Trafalgar Public Hall				3,100	3,100	1.8%
Trafalgar Rotary Club		4,400	5,300	4,000	13,700	8.1%
Trafalgar Scout Group				2,800	2,800	1.7%
Trafalgar Soccer Club				1,000	1,000	0.6%
Trafalgar-St Josephs Parents & Friends				150	150	0.1%
Trafalgar-St Joseph's Primary School	91	100			191	0.1%
West Gippsland Healthcare Group			250		250	0.1%
Willow Grove Primary School			1,010	50	1,060	0.6%
Willow Grove Rural Fire Brigade				1,000	1,000	0.6%
Yarragon Book Fair			500	500	1,000	0.6%
Yarragon Bowling Club		250	250	250	750	0.4%
Yarragon Football & Netball Club			1,250	1,250	2,500	1.5%
Yarragon Pre-School		2,148			2,148	1.3%
Youth Foundation project			32,000	37,000	69,000	40.9%
<b>Total</b>	<b>5,309</b>	<b>28,459</b>	<b>59,425</b>	<b>75,354</b>	<b>168,547</b>	<b>100%</b>

### Committee activities

The Company has eight committees, four to cover governance matters, and four operational committees which arise from the Company's strategic plan.

The following actions have arisen from the Company's eight committees:

#### Corporate governance committees

##### Audit & Risk Committee

Planning for this committee, consisting of five Directors, commenced during the year (it is in existence at the time of this AGM). Its purpose is to provide assistance to the Board in relation to oversight of the following:

- Audit functions (including prudential audit requirements)
- Statutory financial and APRA reporting requirements
- Internal control framework
- Managing risks of the Company

# Chairman's report continued

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## Crisis Response Committee

This Committee consists of the Chairman, Branch Manager and any two Directors nominated by the Board. Its purpose is to manage the physical aspects of any crisis (fire, flood, etc.). It is delegated with the authority to take action to facilitate the management of the crisis if required urgently. It shall address any Managerial, media, and budgeting issues that may arise from the crisis.

Thankfully, this Committee did not need to meet during the year.

## Executive Committee

This Committee consists of the Chairman, Deputy Chairman, Company Secretary and Treasurer. It has the authority to determine matters only on delegation of the Board.

It met on five occasions during the year to discuss policy formulation, future Board requirements concerning potential Directors, and the selection of a Minute Secretary.

## Governance & HR Committee

Planning for this Committee commenced in the financial year of this report, and is now operational. It consists of five Directors. Its purpose is to provide assistance to the Board in relation to the following:

- Board composition and succession planning
- Board performance, Board and executive remuneration policy
- Corporate governance matters
- Key human resources (HR) policies

## Operational Committees

These Committees have been developed to ensure that the Company's strategic plan is met each year. Each Director is on at least one of these Committees. From the oncoming financial year period, the Company Secretary and Treasurer, due to their workloads, will be exempt from these Committees unless they otherwise request to participate.

## Best Practice Committee

This committee was led by Mick Bourke, with Peter Marx. Its purpose is to ensure deliverables identified in the strategic plan regarding corporate best practice are met.

It had three main activities over the past year:

- Supervise the Company's rolling three-year strategic planning process;
- Identified, and commenced developing a suite of policies important to the Company. It has developed policies for Board Governance, Branch Manager employment and Human Relations. The Board has approved the policies for the first two categories and is liaising with the Bendigo and Adelaide Bank Ltd regarding the HR policies. Policies will continue to be progressively developed over the next two years; and
- Developed a programme for the ongoing development of Directors. This programme will commence in 2009/10

# Chairman's report continued

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## Community Committee

This committee was led, first by Michael Fozard and then Jane Sneddon. It consisted of Michael, Jane and Branch Manager, Bryan Leaf. It is responsible for the development and implementation of the Company's policy on grants and sponsorships.

The past financial year has seen the Company's marketing and sponsorship support grow and widen in its impact on the area. Its largest contribution has gone to the Youth Foundation Project, established to encourage young people to develop their roles and responsibilities in the broader community. Other support has been spread across sport, arts, community infrastructure and activities. The Company's aim is to partnership diverse and community-minded groups and activities within our catchment area.

The Community Committee has finalised the Company's policy on grants and sponsorships, which has been approved by the Board. A new procedure for allocating sponsorships commences in July 2009.

## Staff Committee

This Committee was led by Branch Manager Bryan Leaf and included Loraine Morland. Its purpose is to implement staff-related initiatives identified as part of the strategic planning process.

2008/09 has again been a strong year with our staff performing well. During the term, Leanne Kells relocated to Queensland and we have since engaged Tiffany Jones who is fitting into the structure well.

## Stakeholder Committee

This Committee consists of Directors nominated by the Board to ensure the Deliverables identified in the strategic plan for the Company's stakeholders, in particular, its shareholders, customers and the broader community, are met.

This Committee was led by Bill Harrington and included Peter Cooke and Peter Snape.

No activities were undertaken by this Committee during the year.

## Profitability Committee

This committee consisted of one Director, Michael Curtain, to meet deliverables in the strategic plan that encourages the growth of the Company's business.

Michael investigated whether the Company should consider expanding into the Telco business. However, after examination, the Board accepted the recommendation that it should concentrate on its core business – the **Community Bank**<sup>®</sup> concept.

## **Global Financial Crisis**

My report cannot go by without mentioning the Global Financial Crisis. This has caused the Board to be particularly vigilant in its monitoring of the **Community Bank**<sup>®</sup> branch's activities during the year. Notwithstanding this crisis, the branch has performed well in all the circumstances, with the balance sheet continuing to grow steadily, as stated above, to \$66.38 million over the year. Of equal importance is that we have maintained a strong balance of deposits (\$35.58 million) and loans (\$30.8 million).



# Chairman's report continued

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## **Community Bank® branch staff**

I take this opportunity to thank Bryan, Lorraine, Sharon, Michelle, Tiffany and Leanne for their commitment. When I walk into the branch, I have a feeling that they really enjoy working there, and provide, in my opinion, a service second to none. The growth in our business is largely attributed to them.

As the business enters into a new phase of maturity we must now look to developing our staff to ensure that we are well placed to meet the challenges of the future. Overall our staff members continue to be our greatest asset and, as a Board, we are very appreciative of their contribution and commitment to the success of the business.

## **Minute Secretary**

The Company's Minute Secretary, Kaye Dorling, resigned during the year for personal reasons, and has been replaced by Fiona Beckley. Kaye has provided an excellent service to the Board over the past couple of years and she will be missed. Having said that, I know that Fiona will more than adequately fill Kaye's role.

## **Directors**

I wish to thank my fellow Directors for their effort over the past year. Whilst it has been hectic, the Board's concentration on both profitability and increased corporate governance will continue, indeed, increase, over the next financial period. For this to occur, the Board needs to be comprised of appropriately skilled and experienced local people so that they are fully functional.

I wish to mention Rob Carlesso, Michael Fozard, Peter Snape, Michael Curtain and Jane Sneddon, who are retiring from the Board, for their contribution as Directors. Rob has been a Director for the past three years, and was also a member of the original steering committee. Michael Fozard has been involved in the Company since its inception, and indeed prior to that, was a member of the steering committee which put in a lot of hard work to establish the Company. Peter was a Director for the past three years. Michael Curtain was co-opted by the Board during the year for his legal experience. Jane was also co-opted by the Board this year, and provided fresh ideas to the Company's marketing strategy.

I look forward to working with their replacements as we enter a new period in the Company's short history.



**Mick Bourke**  
**Chairman**

# Manager's report

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For year ending 30 June 2009

It is with pleasure that I table my report for the year ending June 2009.

It has been another satisfying year, particularly when we consider the circumstances experienced in the financial sector across Australia and the globe.

Our business has continued to expand with both sides of our balance sheet growing by approximately \$6 million to see our total footings now at \$66.4 million. Our balance sheet remains well balanced which has enabled us to generate optimum profitability.

Our customer base has continued to expand with in excess of 400 new accounts (net) to bring the total number of accounts to 3,465. This account number growth includes 178 new customers. The number of products per customer also increased during the year to where each customer on average now has just over two products with us. The branch has again performed strongly in the promotion of ancillary products with all insurance targets being satisfied. These products are a strong ongoing source of income for the branch.

Our staff has remained stable during the review period, although we did see Leanne Kells move on and relocate to Queensland. Tiffany Jones has been engaged to take over and is fitting into the branch structure well.

Consistently high customer satisfaction ratings together with the abovementioned performance results is reflective of the endeavours of Lorraine Morland, Sharon Bowyer, Michelle Galea and Tiffany Jones. They form a strong, reliable, consistent and more importantly a dedicated team; they are committed to the success of the business. I am very appreciative of their efforts and extend my unreserved thanks to each of them.

I again must acknowledge the ongoing support we have received from the Board of Directors and Chair Janine Webb, prior to her departure, and more recently Mick Bourke. Their confidence in and support of my staff and I has been unfailing and again continues to be a key contributor to the success of the **Community Bank**<sup>®</sup> branch.

Finally in closing I must acknowledge the support of our customers in Trafalgar, Thorpdale, Narracan, Willow Grove, Hill End and Yarragon. The business cannot expand without the ongoing support of our customers. The manner in which the **Community Bank**<sup>®</sup> branch has been embraced is most rewarding and we look forward to upcoming term with excitement and anticipation.

For those shareholders who have not yet enjoyed the unique experience of the **Community Bank**<sup>®</sup> concept I invite you to call at the branch, meet the staff and become part of the **Community Bank**<sup>®</sup> branch family.



**Manager**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank**<sup>®</sup> branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank**<sup>®</sup> branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank**<sup>®</sup> branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – \$29 million paid out in community projects and nearly \$11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

**Community Bank**<sup>®</sup> branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.



**Russell Jenkins**  
**Chief General Manager**

# Directors' report

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For year ending 30 June 2009

The Directors present their report on the Company for the financial year ending 30 June 2009.

1. The Directors in office at any time during or since the end of the year are:-

**Mr Michael Bourke**

Mr Bourke is 56 years of age. Chairman, Appointed Director 29 November 2007. He works as a consultant and has a Diploma of Public Administration. Mr Bourke is involved in the best practice, crisis response, executive, governance and human resources committees as well, in his capacity as chairman, as being an ex-officio member of all committees.

**Mr Peter Cooke**

Mr Cooke is 63 years of age. Deputy Chairman, Appointed Director 29 November 2007. He participates in the audit and risk, crisis response, executive, governance and human resources, and stakeholders committees. Mr Cooke is a retired secondary school teacher and has BA, Bed, TSTC, Grad Dip Computing qualifications.

**Mr Peter Marx**

Mr Marx is 62 years of age. Secretary, Appointed Director 21 October 2002. He works as a land surveyor and has qualifications of Licensed Land Surveyor, Diploma of Surveying, Diploma of Cartography, Member of the Institution of Surveyors Victoria and Member of the Association of Consulting Surveyors Victoria. Mr Marx is involved in the executive, governance and human resources committees.

**Mr Robert Carlesso**

Mr Carlesso is 53 years of age. Treasurer, Appointed Director 2 November 2006. He is a part of the audit and risk, and executive committees. Mr Carlesso is an executive manager with Bachelor of Business degree and is a Member of the National Institute of Accountants and Australian Institute of Company Directors.

**Mr Michael Curtain**

Mr Curtain is 46 years of age. Appointed Director 4 December 2008. He is a solicitor with qualifications in Bachelor of Laws/Bachelor of Arts. Mr Curtain is involved in the governance and human resources, and best practice committees.

**Mr Michael Steward Fozard OAM PHF**

Mr Fozard is 60 years of age. Appointed Director 21 October 2002. He participates in the governance and human resources and community committees. Mr Fozard works as a Manager.

**Mr Bill Harrington**

Mr Harrington is 66 years of age. Appointed Director 21 October 2002. He is a retired bank manager and is involved in the audit and risk and stakeholders committees.

**Mr Peter Snape**

Mr Snape is 63 years of age. Appointed Director 2 November 2006. He participates in the governance and human resources, and stakeholders committees. Mr Snape is a farmer with a Certificate in Frontline Management.

# Directors' report continued

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## **Mr Ross McDermott**

Mr McDermott is 58 years of age. Appointed Director November 2006. He did not seek re-election at the 2008 annual general meeting.

## **Ms Jane Sneddon**

Ms Sneddon is 36 years of age. Appointed Director 2 April 2009. She is a primary school teacher with a Diploma of Travel and Bachelor of General Studies/Bachelor of Teaching. Ms Sneddon is involved in the audit and risk, community and crisis response committees.

## **Ms Janine Webb**

Ms Webb is 48 years of age. Appointed Director 21 October 2002. She is a public servant and resigned as Director in August 2008.

## **Ms Michelle Robertson**

Ms Robertson is 35 years of age. Appointed Director 2 July 2009. She is part of the audit and risk committee. Ms Robertson is an administration manager with an Advanced Diploma of Business Accounting.

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

2. The principal activity of the Company during the financial year was the management of a **Community Bank**<sup>®</sup> branch.
3. The net profit of the Company for the financial year was \$107,230 (2007-2008 \$99,141).
4. During the financial year the Company continued its trading activities. Even though revenue results were below forecast expectations as a result of the challenging economic environment in 2008-2009, the Company reported an improved profit result and an increase in payments to community groups for grants, marketing and sponsorships.
5. There was no significant change in the state of affairs of the Company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.
7. The Directors are not aware of any likely developments in the operation of the Company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been a Director, Officer or Auditor of the Company.
9. No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.
10. The Company was not a party to any such proceedings during the year.
11. The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a state or territory.

## Directors' report continued

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12. No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than the benefits disclosed in Note 7. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the accounts, or the fixed salary of a full time employee of the Company.

13. Information relating to the Directors is as follows:-

<b>Director</b>	<b>Director since</b>	<b>Directors' meetings</b>	
		<b>Number eligible to attend</b>	<b>Number attended</b>
Peter Marx	2002	11	11
Robert Carlesso	2006	11	9
Michael Fozard	2002	11	8
William Harrington	2002	11	8
Ross McDermott *	2006	5	5
Peter Snape	2006	11	9
Mick Bourke	2007	11	8
Peter Cooke	2007	11	11
Michael Curtain #	2008	6	6
Jane Sneddon ^	2009	3	3
Janine Webb ~	2002	1	0

\* did not seek re-election at 2008 AGM

# appointed December 2008

^ appointed April 2009

~ resigned August 2008

All Directors are widely experienced in the general business environment in which the Company operates.

Signed in accordance with a resolution of the Board of Directors.



**Mick Bourke**  
**Chairman**

Date: 4 September 2009

# Financial statements

## Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
<b>Revenue</b>			
Revenue from ordinary activities			
Income from operations		652,609	573,781
Interest received		19,908	21,365
Sundry income		190	-
		<b>672,707</b>	<b>595,146</b>
<b>Expenses</b>			
Employee benefit expenses		251,765	230,564
Depreciation		9,562	10,469
Amortisation of franchise fee		10,263	12,000
General administration		129,662	120,996
Leasing costs		7,985	9,469
Audit services		1,305	1,000
Advertising and promotion		3,393	3,505
Marketing and sponsorships		39,436	27,373
Grants		37,000	32,000
Occupancy costs		24,743	25,619
		<b>515,114</b>	<b>472,995</b>
<b>Profit (loss) from ordinary activities</b>			
<b>before income tax</b>		<b>157,593</b>	<b>122,151</b>
Income tax relating to ordinary activities	3	50,363	23,010
<b>Net profit (loss) after income tax</b>		<b>107,230</b>	<b>99,141</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Current assets</b>			
Cash assets	5	469,090	372,487
Receivables		64,894	55,259
Other		6,143	7,393
<b>Total current assets</b>		<b>540,127</b>	<b>435,139</b>
<b>Non-current assets</b>			
Intangibles	11	60,599	2,000
Plant and equipment	2	74,972	81,710
<b>Total non-current assets</b>		<b>135,571</b>	<b>83,710</b>
<b>Total assets</b>		<b>675,698</b>	<b>518,849</b>
<b>Current liabilities</b>			
Payables		39,537	24,926
Provisions	4	66,443	34,963
Non interest-bearing liabilities		-	-
<b>Total current liabilities</b>		<b>105,980</b>	<b>59,889</b>
<b>Non-current liabilities</b>			
Provisions		13,466	9,938
<b>Total non-current liabilities</b>		<b>13,466</b>	<b>9,938</b>
<b>Total liabilities</b>		<b>119,446</b>	<b>69,827</b>
<b>Net assets</b>		<b>556,252</b>	<b>449,022</b>
<b>Members funds</b>			
Contributed equity		532,859	532,859
Accumulated profits/(losses)	9	23,393	(83,837)
<b>Total members' funds</b>		<b>556,252</b>	<b>449,022</b>

The accompanying notes form part of these financial statements.



## Financial statements continued

### Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flow from operating activities</b>			
Receipts from operations		707,549	612,467
Payments to suppliers and employees		(506,484)	(473,485)
Interest received		21,158	16,034
Amounts paid to the ato		(39,359)	(35,605)
Income tax paid		(14,575)	2,529
<b>Net cash provided by operating activities</b>	<b>6</b>	<b>168,289</b>	<b>121,940</b>
<b>Cash flow from investing activities</b>			
Payment of franchise fee		(68,862)	-
Purchase shares		-	-
Payment for property, plant and equipment		(2,824)	(444)
<b>Net cash used in investing activities</b>		<b>(71,686)</b>	<b>(444)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>		<b>96,603</b>	<b>121,496</b>
Cash at beginning of year		372,487	250,991
<b>Cash at the end of the financial year</b>	<b>5</b>	<b>469,090</b>	<b>372,487</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2009

	<b>Contributed equity \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>At 1 July 2007</b>	<b>532,859</b>	<b>(182,978)</b>	<b>349,881</b>
Profit (loss) for the period	-	99,141	99,141
<b>At 30 June 2008</b>	<b>532,859</b>	<b>(83,837)</b>	<b>449,022</b>
At 1 July 2008	532,859	(83,837)	449,022
Profit (loss) for the period	-	107,230	107,230
<b>At 30 June 2009</b>	<b>532,859</b>	<b>23,393</b>	<b>556,252</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2009

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other Authoritative Pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Trafalgar & District Financial Services Limited as an individual entity. The Company is a Company limited by shares, incorporated and domiciled in Trafalgar, Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied.

### **(a) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### **(b) Plant and equipment**

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation.

The carrying amount of fixed assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

The depreciable amount of all fixed assets are depreciated using the diminishing value method over their useful lives to the Company commencing from the time the asset is held ready for use.

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

Plant and equipment	10% - 100%
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# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

### **(c) Cash**

For the purposes of the Cash flow statement, cash includes:

- (i) cash at bank; and
- (ii) cash on at call deposits at bank.

### **(d) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue is recognised net of the amount of goods and services tax (GST)

### **(e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of a cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cashflows are included in the Cashflow Statement on a gross basis, and the GST component arising from investing and financing activities, which is recoverable from, or payable to the Australian Taxation Office, are classified as operating activities.

### **(f) Intangibles**

Intangible assets represent identifiable non-monetary assets without physical substance. The franchise fee is valued in the accounts at cost and is being amortised over a period of five years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer recoverable is written off.

### **(g) Comparative figures**

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

### **(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits associated to ownership.

# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

### **(h) Leases (continued)**

#### Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in the net profit.

### **(i) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within the year together with benefits arising from wages, salaries and annual leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

### **(j) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

# Notes to the financial statements continued

## Note 1. Statement of significant accounting policies (continued)

### (j) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

	2009 \$	2008 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	143,681	140,857
Less provision for depreciation	(68,709)	(59,147)
	<b>74,972</b>	<b>81,710</b>
<b>Reconciliations of written-down value of plant and equipment</b>		
Balance at beginning of year	81,710	91,735
Additions	2,824	444
Depreciation expense	(9,562)	(10,469)
<b>Balance at end of year</b>	<b>74,972</b>	<b>81,710</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 3. Income tax expense</b>		
The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:		
Prima facie tax payable on operating profit at 30%	47,278	36,645
Adjust for tax effect:		
Non-deductible permanent differences		
Set-up costs	3,079	3,600
Entertainment	367	-
Timing differences deductible when incurred		
Provision for holiday pay & accrued expenses	(1,794)	(1,242)
Provision for long service leave	1,058	2,982
Accrued interest	375	(1,599)
Prepaid expenses	-	(618)
Carried forward losses	-	(16,758)
<b>Income tax expense</b>	<b>50,363</b>	<b>23,010</b>

## Note 4. Provisions

### Current

Income tax payable	53,763	17,974
Annual leave	12,680	16,989
	<b>66,443</b>	<b>34,963</b>

### Non current

<b>Long service leave</b>	<b>13,466</b>	<b>9,938</b>
<b>Average number of employees</b>	<b>5</b>	<b>5</b>

## Note 5. Cash

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

<b>Cash at bank</b>	<b>469,090</b>	<b>372,487</b>
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## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 6. Cash flow information</b>		
Reconciliation of cash flow from operations with operating profit/(loss)		
Operating profit/(loss)	107,230	99,141
Non-cash flows in operating result		
Depreciation	9,562	10,469
Amortisation	10,263	12,000
Changes in assets and liabilities		
(Increase)/decrease in receivables	(8,385)	(26,862)
Increase/(decrease) in creditors	14,611	(5,820)
Increase/(decrease) in provisions	(781)	7,473
Increase/(decrease) in income tax payable	35,789	25,329
<b>Net cash provided by operating activities</b>	<b>168,289</b>	<b>121,940</b>

## Note 7. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No transactions with related entities.

## Note 8. Segment reporting

The Company operates in the service sector where it conducts a **Community Bank**<sup>®</sup> branch in the Trafalgar, Yarragon, Willow Grove, Thorpdale and surrounding areas of Gippsland in Victoria.

## Note 9. Accumulated profits (losses)

Accumulated loss at the beginning of the financial year	(83,837)	(182,978)
Net profit after income tax	107,230	99,141
<b>Accumulated profit (loss) at the end of the financial year</b>	<b>23,393</b>	<b>(83,837)</b>



## Notes to the financial statements continued

### Note 10. Company details

The registered office of the Company is 103a Princes Highway Trafalgar Victoria.

The principal place of business is 103a Princes Highway Trafalgar Victoria.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Note 11. Intangibles</b>		
Franchise fee at cost	68,862	60,000
Less amortisation	(8,263)	(58,000)
	<b>60,599</b>	<b>2,000</b>

### Note 12. Financial instruments

#### (a) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities is as follows:

	Effective interest rate		Floating interest rate		Fixed interest rate				Non-interest bearing	
					Within 1 year		1 To 5 years			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Financial assets										
Cash at bank	3.14	6.63	81,523	372,487	387,567					
Receivables									64,894	55,259
<b>Total financial assets</b>			<b>81,523</b>	<b>372,487</b>	<b>387,567</b>				<b>64,894</b>	<b>55,259</b>
<b>Financial liabilities</b>										
Payables									39,537	24,926
<b>Total financial liabilities</b>									<b>39,537</b>	<b>24,926</b>

#### (b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

## Notes to the financial statements continued

### Note 12. Financial instruments (continued)

#### (c) Net fair value

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and Notes to the Financial Statements.

### Note 13. Disclosure of prior period comparative changes

Prior period comparative figures have been adjusted as disclosed below.

	2008 Financial report \$	Restatement \$	Note	2008 Restated Comparative \$
<b>Revenue</b>				
<b>Revenue from ordinary activities</b>				
Income from operations	481,785	91,996	1	573,781
Interest received	21,365	-		21,365
	<b>503,150</b>	<b>91,996</b>		<b>595,146</b>
<b>Expense</b>				
Employee benefit expenses	226,513	4,051	2	230,564
Depreciation	10,469	-		10,469
Amortisation of franchise fee	12,000	-		12,000
General administration	40,429	80,567	2	120,996
Leasing costs	-	9,469	2	9,469
Audit services	1,000	-		1,000
Advertising and promotion	3,505	-		3,505
Marketing and sponsorships	29,464	(2,091)	2	27,373
Grants	32,000	-		32,000
Occupancy costs	25,619	-		25,619
	<b>380,999</b>	<b>91,996</b>		<b>472,995</b>

## Notes to the financial statements continued

Note 13. Disclosure of prior period comparative changes (continued)

	2008 Financial report \$	Restatement \$	Note	2008 Restated Comparative \$
<b>Profit (loss) from ordinary activities</b>				
<b>before income tax</b>	<b>122,151</b>	-		<b>122,151</b>
Income tax relating to ordinary activities	23,010	-		23,010
<b>Net profit (loss) after income tax</b>	<b>99,141</b>	-		<b>99,141</b>
<b>Cash flow from operating activities</b>				
Receipts from operations	511,271	101,196	3	612,467
Payments to suppliers and employees	(372,289)	(101,196)	4	(473,485)
Interest received	16,034	-		16,034
Amounts paid to the ato	(35,605)	-		(35,605)
Income tax paid	2,529	-		2,529
<b>Net cash provided by operating activities</b>	<b>121,940</b>	-		<b>121,940</b>
<b>Cash flow from investing activities</b>				
Payment of franchise fee	-	-		-
Sale of plant	-	-		-
Purchase shares	-	-		-
Payment for property, plant and equipment	(444)	-		(444)
<b>Net cash used in investing activities</b>	<b>(444)</b>	-		<b>(444)</b>
<b>Cash flow from financing activities</b>				
Proceeds from borrowings	-	-		-
Repayment of borrowings	-	-		-
<b>Net cash used in financing activities</b>	-	-		-
<b>Net increase (decrease) in cash held</b>	<b>121,496</b>	-		<b>121,496</b>
Cash at beginning of year	250,991	-		250,991
<b>Cash at the end of the financial year</b>	<b>372,487</b>	-		<b>372,487</b>

## Notes to the financial statements continued

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Note 13. Disclosure of prior period comparative changes (continued)

### **Notes**

1. Restatement of income from operations to include gross income received from Bendigo and Adelaide Bank Ltd.
2. Restatement of employee benefit expenses, general administration, leasing costs, and marketing and sponsorships to reflect expenses charged by Bendigo and Adelaide Bank Ltd.
3. Restatement of receipts from operations to include gross income received from Bendigo and Adelaide Bank Ltd.
4. Restatement of payments to suppliers and employees to reflect expenses charged by Bendigo and Adelaide Bank Ltd.

# Directors' declaration

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The Directors of the Company declare that:

1. The financial statements and notes, as set out in the Directors Report, Income Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company;
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.



**Mick Bourke**  
**Chairman**

Date: 4 September 2009

# Independent audit report

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**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS**

A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF TRAFALGAR & DISTRICT FINANCIAL SERVICES LTD

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#### SCOPE

We have audited the financial report of Trafalgar & District Financial Services Limited set out in the Income Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements for the year ended 30 June 2009. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of their operations and their cash flows.

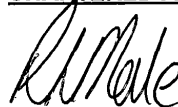
The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the financial report of Trafalgar & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**TAYLOR PARTNERS**  
**CHARTERED ACCOUNTANTS**



**R. MALE FCA**  
**PARTNER**

Date: 11<sup>th</sup> September, 2009

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189  
Website: [www.taylorpartners.com.au](http://www.taylorpartners.com.au) Email: [admin@taylorpartners.com.au](mailto:admin@taylorpartners.com.au)  
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548

# Auditor's independence declaration

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**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS**

A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

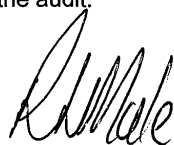
**Auditors Independence Declaration**  
**Under Section 307C of the Corporations Act 2001**

**To the Directors of**  
**Trafalgar & District Financial Services Limited**

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I declare that, to the best of my knowledge and belief, in relation to the audit of Trafalgar & District Financial Services Limited for the year ended 30 June 2009 there have been;

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



R L Male FCA

Taylor Partners Pty Ltd  
220 Chesterville Road, Moorabin, Vic

Dated this 11<sup>th</sup> day of September, 2009

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189  
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Trafalgar & District **Community Bank**<sup>®</sup> Branch  
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Phone: (03) 5633 2783 Fax: (03) 5633 2760

Franchisee: Trafalgar & District Financial Services Limited  
103a Princes Highway, Trafalgar VIC 3824  
Phone: (03) 5633 2783 Fax: (03) 5633 2760  
ABN: 86 102 573 222

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR9079) (09/09)