



annual report 2012

Trafalgar & District
Financial Services Limited

ABN 86 102 573 222

Contents

Values and behaviours	2
Chairman's report	3
Manager's report	9
Bendigo and Adelaide Bank report	11
Committee report	13
Directors' report	16
Financial statements	20
Notes to the financial statements	24
Directors' declaration	32
Independent audit report	33

Values and behaviours

Trafalgar & District Financial Services Ltd

Our vision

We are the most respected and effective **Community Bank®** franchisee in Victoria.

Our mission

We operate a **Community Bank®** branch to provide our community with outstanding banking services and play a key role in building the prosperity and resilience of our community.

Our values and behaviours

Integrity

We pride ourselves on being honest, reliable and professional in our dealings with each other and with our stakeholders.

We will:

- be accountable for our actions and hold others accountable for theirs;
- work effectively together as a team with a common vision and a common purpose;
- abide by the law and our governance processes to ensure equity, fairness and transparency in all of our dealings.

Engagement

We are committed to effectively engage with our customers and our community to ensure we understand their needs and can diligently work to meet those needs.

We will:

- respect and value the importance of our community;
- work to contribute to the economic wellbeing of our community;
- listen to and consult with our community;
- listen to and understand our customers' needs prior to offering a solution.

Leadership

We pride ourselves on continuously learning how we can improve our business for the benefit of our community.

We will:

- commit to developing our knowledge and skills;
- commit to seeking better ways of doing things;
- show initiative in what we do to better meet our customers' and community's needs.

Chairman's report

For year ending 30 June 2012

This is the ninth Annual General Meeting of Trafalgar & District Financial Services Ltd ('the company'). This report identifies the main achievements of the company over the past 12 months.

Profit

The company made a profit of \$214,876 before tax and market development (grants) (compared to \$310,898 in 2010/11). The net profit for this reporting period was \$83,524 (\$107,097 in 2010/11).

The attached graph (Figure 1) shows the profit/loss of the **Community Bank®** branch since its establishment.

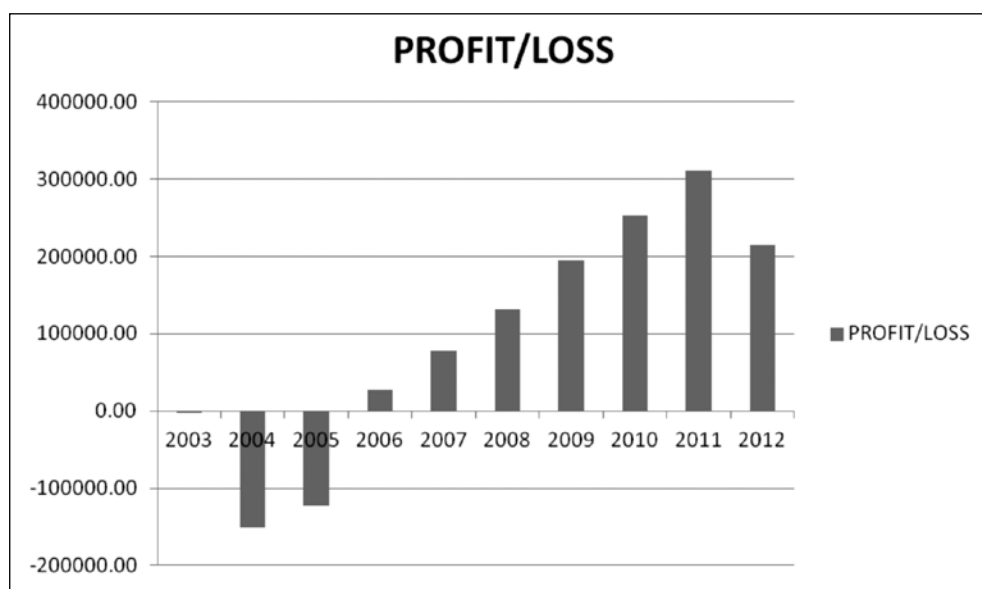


Figure 1 – Profit/Loss since company's establishment.

The reduction in profit from the previous financial year is due to several expenses being higher than previous periods. The categories of Employee Benefits, General Administration, and Marketing and Sponsorship expenses were significantly higher than the previous reporting period. The Board allocated further funds towards sponsorship applications and also supplied defibrillators to five sporting clubs during the financial year. Salary increases, superannuation and the payment of travel allowances for branch staff contributed to the increase in Employee Benefits plus the appropriate provision for Long Service Leave. General administration had increases in accounting fees, advertising, printing/stationary and the promotional DVD expenses. Included in the General Administration expenses were the payments of the shareholder and stakeholders surveys. Also, included in this reporting period were the increased expenditure for the positions of the Administration Officer and the Executive Officer.

The Board has budgeted for a profit of \$186,680 (before tax and grants) for the 2012/13 financial year. As mentioned in previous years, provision for grants is not included in the budget as that is determined by the company's profit. This amount will be decided by the Board at its June 2013 meeting.

Dividend

Once again, the Board is pleased to announce that, despite a reduction in net profit, it has declared a dividend of seven cents per share fully franked, maintaining the dividend amount from the previous year. The dividend is payable to shareholders owning shares as at close of business on 6 September 2012.

Chairman's report (continued)

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P). S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including our **Community Bank®** company, is now rated 'A' by all three of the world's leading credit rating agencies.

Government guarantee

During the reporting period, the Federal Government announced changes to its Financial Claims Scheme, also known as the "government guarantee", lowering it from \$1 million to \$250,000 effective 1 February 2012. As our **Community Bank®** branch operates under Bendigo and Adelaide Bank's banking licence, all deposits held with our branch are guaranteed by the Federal Government and supported by capital supplied by our franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our **Community Bank®** branch.

Company governance

The Board continues to review and evolve to ensure the company is governed at the appropriate level, one that meets our various regulatory and statutory requirements, as well as those under the franchise and our constitution. Directors, individually and collectively, remain focussed on further improving the governance of the company. The Directors maintain a strong desire to continually improve their Directorship skills.

The Board reviewed its strategic plan, and as a result the 2012-17 strategic plan is now completed. Shareholders may view it on our webpage. Implementation of the plan will commence in the 2012/13 financial year.

Finances

The company's balance sheet grew by \$10.161 million from \$83.55 million on 1 July 2011 to \$93.711 million as at 30 June 2012.

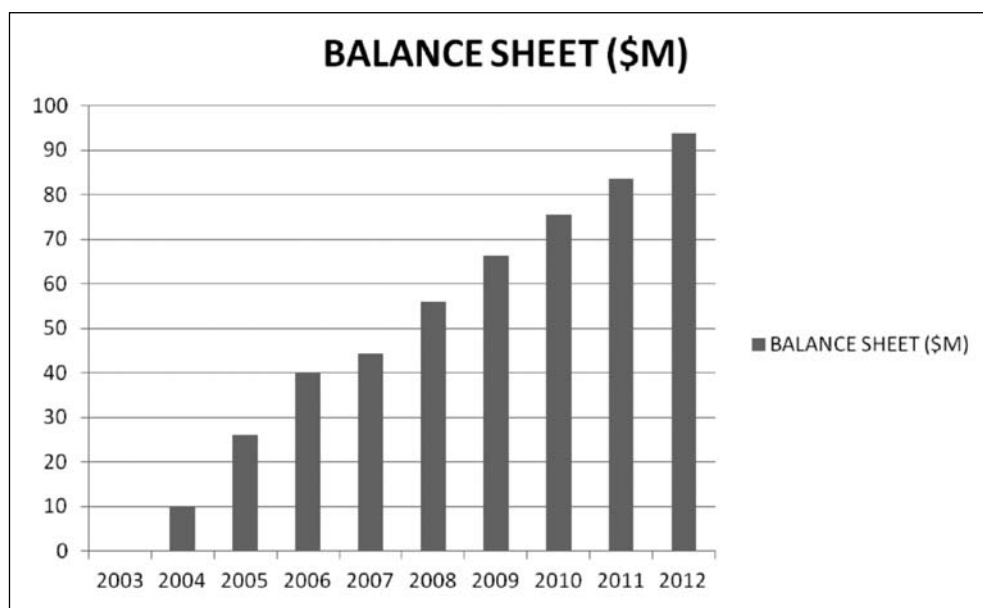


Figure 2 –
Balance sheet
growth.

Chairman's report (continued)

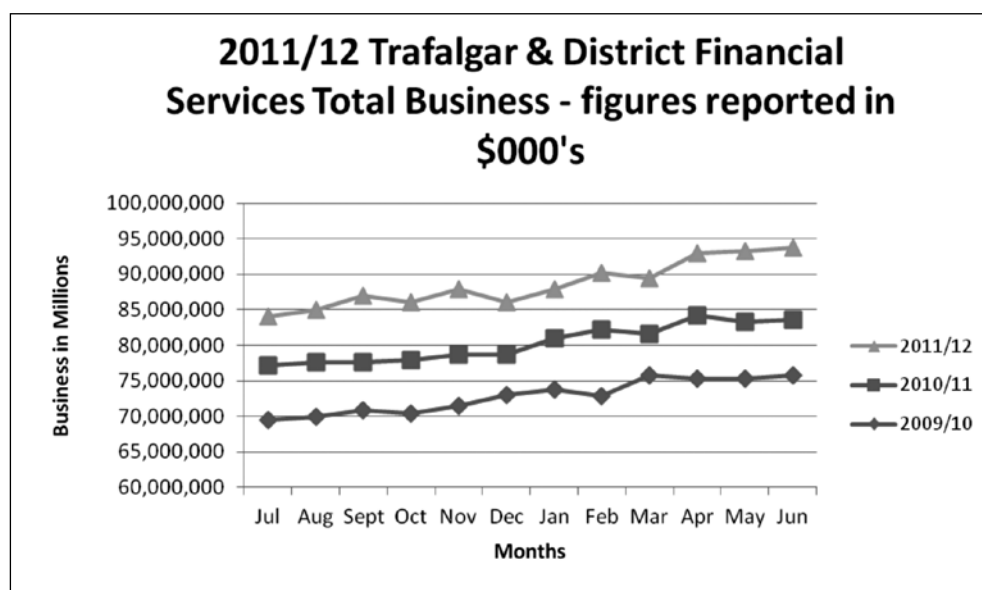


Figure 3 – Balance sheet activity by month: 2009/10, 2010/11 and 2011/12.

Marketing

One of the main purposes of the company is to generate funds to enable our community to grow. During the reporting period, the company contributed \$96,783 in grants and sponsorship. Since the company commenced distributing funds to community groups in 2005/06, \$512,872 has been provided to communities within our catchment area, consisting of \$267,290 in sponsorship and \$245,582 in grants.

Sponsorship

The company provided \$79,283 to 49 community groups during the reporting period. The company held a sponsorship information night for community organisations during the reporting period to update them on the sponsorship process and to highlight to them that sponsorship is not a donation; that the organisations and their members are expected to support the **Community Bank®** branch in their banking.

The Community committee reviewed its sponsorship process during the reporting period; as a result, starting from 1 July 2012, all applications will be received electronically, principally via email, and when our new website is developed, organisations will have the ability to lodge directly on-line.

The following table provides the sponsorship given to community organisations during the past financial year.

Organisation funded	2011/12 \$	%
1st Thorpdale Scouts	5,000	6.3%
Baw Baw Arts Alliance	5,140	6.5%
Gippsland Greenkeepers & Bowlers	200	0.3%
Headway	5,000	6.3%
Hill End Community Inc	2,500	3.2%
Hill End Grove Rovers Football & Netball Club	5,695	7.2%
Narracan Primary School	5,700	7.2%
Off the Leash Theatre	500	0.6%
Trafalgar - Battle of Trafalgar Festival	5,000	6.3%
Trafalgar Bowls Club	2,000	2.5%

Table continued over page.

Chairman's report (continued)

Sponsorship (continued)

Organisation funded	2011/12 \$	%
Trafalgar Boxing Gym	1,508	1.9%
Trafalgar Cricket Club	4,000	5.0%
Trafalgar Football & Netball Club	1,380	1.7%
Trafalgar Golf Club	300	0.4%
Trafalgar High School	1,000	1.3%
Trafalgar Junior Football Club	3,906	4.9%
Trafalgar Lioness Club	200	0.3%
Trafalgar Probus Club	450	0.6%
Trafalgar Public Hall	4,000	5.0%
Trafalgar Rotary Club	4,000	5.0%
Trafalgar Scout Group	2,925	3.7%
Walhalla Heritage and Development League Inc	3,000	3.8%
West Gippsland Bowls Division	400	0.5%
Willow Grove Kindergarten	429	0.5%
Yarragon & District Community Assoc. Inc	5,000	6.3%
Yarragon Bowling Club	5,000	6.3%
Yarragon Business Association	2,750	3.5%
Yarragon Cricket Club	1,500	1.9%
Youth Reach Inc.	800	1.0%
Total	79,283	100%

Grants

The number of grants during the reporting year was small due to grants being presented in early 2011 (before the current reporting period) and later this calendar year (after this reporting period), thus both grant programmes fell outside the 2011/12 financial year.

A new initiative during the reporting period was the commencement of our Students Scholarship programme, which is aimed at year 12 students with special circumstances. "Special Circumstances" means students who are high achieving that are community-minded and who are financially and/or socially disadvantaged.

The programme resulted in three students each receiving \$2,000 towards the cost of their first year of tertiary education. This programme will continue, with another three scholarships being funded in the next financial year. Last year's three students are entitled to nominate again if they satisfactorily pass this year's examinations and they continue to display special circumstances. By the end of the third year and each year thereafter, we expect to have up to nine students each year on a scholarship

We also provided defibrillators to five local sporting clubs during the year.

Chairman's report (continued)

Below is the list of grants distributed during the reporting period.

Organisation funded	2011/12 \$	%
Student Scholarships	6,000	34.29%
Thorpdale Bowling Club	2,300	13.14%
Trafalgar Bowls Club	2,300	13.14%
Trafalgar Park Bowls	2,300	13.14%
Trafalgar Victory Soccer Club	2,300	13.14%
Yarragon Bowling Club	2,300	13.14%
Total	17,500	100%

A total of \$455,759 is deposited in the company's three Community Enterprise Foundation™ ("CEF") accounts, with \$244,355.75 in the general account and \$211,403.36 in its two Youth Foundation accounts. This includes \$117,106 (excluding GST) deposited into its CEF general account in June 2012.

The CEF is a trustee company established by Bendigo and Adelaide Bank to manage grants on behalf of **Community Bank®** Companies such as ours.

Community Bank® Branch Manager

Phil Drummond has settled in well since his appointment in April 2011. He brings with him a high skill level and is quickly developing the technical banking skills. He is providing strong leadership to the **Community Bank®** branch's staff.

Under Phil's leadership, the branch is concentrating on further improving his staff's skills, and at the same time, promoting the various products available to customers. A more detailed Branch Manager's report is found elsewhere in this annual report.

Community Bank® branch staff

There were two changes to our **Community Bank®** branch's staff during the reporting period. Kim Wicklander resigned and moved to Queensland. The Board wishes Kim all the best for her future. As a result of Kim's resignation, Phil undertook a staff review and re-structured it to meet our changing needs. Consequently, we recruited Briony Schembri, who joined the branch as its inaugural Customer Relationship Manager. Briony is an experienced banker and brings a great deal of experience to the branch.

As always, our company, and indeed, our community has been extremely well serviced by our other staff, Tiffany Jones, Lorraine Morland, Sharon Bowyer and Katherine Gourley. The Board is extremely proud of our **Community Bank®** branch's staff and pleased with their work effort spreading the **Community Bank®** message.

Administration support to the Board

The Board reviewed the administrative support it needed during the year, resulting in the new position of Executive Officer being created. The role is an important one in the company as it incorporates the functions of company Secretary and Treasurer. The Board determined that the holder of the position should be a Director, subject to shareholder support at the next Annual General Meeting.

Mel White, our Administration Officer, was appointed to the new position. To support Mel's new role, Gemma Ricardo was appointed to the role of Administration Officer. Both Mel and Gemma have settled into their roles extremely well and are now very important to the management of the company.

We have finalised the leasing arrangements with Baw Baw Shire Council, and now have premises in Trafalgar Technology Centre to maintain our company records and for our administration staff to work.

Chairman's report (continued)

Directors

I thank, once again, all Directors for their effort during the reporting period. The Board is continually improving in its governance of the company. The Centro Property case in the Federal Court has once again highlighted that Directors have to be aware of all matters affecting the company. That our Directors do this without remuneration is an indication of their commitment to our community.

During the past 12 months to 30 June 2012, there have been some changes to the Board. Michelle Robertson and Sally Brown did not seek re-election at last year's Annual General Meeting (Michelle for family reasons, and Sally due to further study and work commitments in Melbourne). Dylan Berends resigned during the year due to work commitments.

Jane Coots, Chris Hardy and Wayne McArdle were elected as Directors at last year's Annual General Meeting, and Melanie White was co-opted as a Director due to her appointment as the company's Executive Officer. The company's constitution provides that three Directors must retire each year. This year it is Peter Marx, Di Harrison and I; each is eligible to seek election as a Director.

In conclusion, it appears our reputation within the community as a significant contributor of community development is increasing. Our aim is to continually improve.



Mick Bourke
Chairman

Manager's report

For year ending 30 June 2012

2011/12 has been a very challenging year with the economy continuing to recover from the Global Financial Crisis (GFC) and the value of the Australian dollar impacting on the viability of our manufacturing sector creating uncertainty in many people's mind about their job security and hence their comfort in buying property or investing generally.

In this context, it is vital to the many communities which the **Community Bank®** branch supports for us to continue to be a viable and strong business into the future.

The Managing Director of the Bendigo and Adelaide Bank, Mike Hirst, explained in an article dated 8 July 2011 what caused the GFC and how banking has changed from its original model of building the prosperity of our communities to a model that feeds of the prosperity of communities and explains how the former model is one that mirrors the **Community Bank®** model created by the Bendigo Bank 14 years ago.

"...To quote an old cliché: Those who fail to learn from history are doomed to repeat it. Yet while we certainly don't want to repeat the GFC, there is one aspect of financial history that might well be worth repeating. It was the genesis of banking itself: the notion that everyone should benefit from a financial transaction - the investor who provides the funds, the borrower, the bank's shareholders who bear the risk of the borrower not paying, and society itself.

It used to be thus. Banks were formed to feed into prosperity this way - to accept cash from people who had excess to lend to people who lacked cash but could add value to it once obtained. The bank charged the borrower a bit more than it paid the investor and returned the risk margin to its shareholders in the form of dividends. Win, win, win. And add to that a fourth win, because the value added along the way was invariably beneficial to society - people gained employment, houses were built, businesses started and public infrastructure funded.

This worked particularly well in early banking for one other reason - banks were formed in villages where investors, borrowers and bank shareholders lived cheek-by-jowl and therefore shared a common interest in seeing their community prosper. Over time, banking has become more technical - some might say impenetrably so - and global-linking technology enables financial transactions to be remote from and unsupervised by both investor and borrower. Overlay on that the centralisation and growth of government, and people have never been more detached from and powerless to influence the financial forces that dictate their lives.

But from the ashes of the GFC is stirring a phoenix of recognition that there are alternatives to a resumption of big government and global market domination. No lesser authorities than Harvard economic luminaries Michael E. Porter and Mark R. Kramer envisage a new business world order they have dubbed 'shared value'. It "involves creating economic value in a way that also creates value for society by addressing its needs and challenges".... If shared value and banking for and by community sound familiar, it's because the bank I head started just such a venture 13 years ago. It's called the **Community Bank®** concept and it was founded on the belief that successful customers and successful communities create a successful bank - in that order. That last phrase is the key, because it returns us to the philosophy on which banking itself was founded - that the bank feeds into prosperity, not off it. Simply put, you can't run a successful company in a poor community, so it makes sense to invest in helping to create a wealthier, more cohesive and inclusive community...In a nutshell, it enables local people to become shareholders in a community company formed to run a **Community Bank®** branch. The community aggregates the banking business of its members; pays the costs of running its branch and receives half the income that business generates (from inception this amounts to over \$764m); Bendigo collects the other half for providing banking support and infrastructure. Local profits are split, with shareholders entitled to no more than 20 per cent and the rest being ploughed into community development."

This model of banking is one the branch staff are particularly committed to and proud to be part of. That is why they go the extra mile for our customers and do everything we can to support our community.

Manager's report (continued)

Business growth

The branch increased its business by \$3.59 million more than budgeted for the year resulting in the balance sheet showing business of \$94.6 million. In layman's terms this means that the value of deposits and loans held at the branch has grown to \$94.6 million at the end of the year. This represents growth for the year of 13.2% which is a very pleasing result and testament to the hard work of the staff and quality of the service we provide.

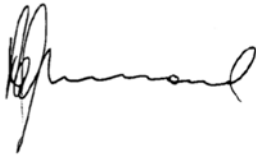
The branch has continued to attract new customers with growth of 5.2% in customer numbers this year.

Staffing

This year has seen a staff member, Kim Wicklander, resign and return to Queensland. The opportunity was taken to review the structure and roles of staff within the branch. This resulted in the recruitment of a Customer Relationship Manager (CRM) to the branch. Briony Schembri was selected to fill that role and has been with us since February 2012.

Other changes made to staffing at the branch have included Tiffany Jones changing her role from Customer Relationship Officer (CRO) to Customer Service Supervisor (CSS) and Lorraine Morland changing from a CRO to a Customer Service Officer (CSO). These changes and the addition of Briony to the team have resulted in the branch improving its capacity to service the needs of our customers and being successful in continuing to build the business.

The challenges facing the branch in the coming year include the apparent continuing economic slide as well as a very competitive banking and financial sector. The branch is well placed to meet this challenge in the year to come and is looking forward to another successful year.



Phil Drummond
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – \$80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Committee report

For year ending 30 June 2012

The company's five governance committees and four operational committees continued their operations during the reporting period. The activities of each committee are outlined below (members of each committee are as at 30 June 2012).

Corporate governance committees

Audit & Risk Committee

Mel White (lead), Peter Marx, Wayne McArdle, Jane Coots

During the financial year 2011/2012, the committee reviewed and updated the Audit and Risk charter. It also reviewed applicable policies and procedures as part of the timetable for ongoing review of all the company's policies and procedures. The committee researched and assessed if there was any requirement for Auditor rotation.

Crisis Response Committee

Mick Bourke (lead), Phil Drummond, Peter Marx, Mel White

This committee did not meet due to there being no crises.

Executive Committee

Mick Bourke (lead), Gary Smith, Mel White

No activities were delegated to this committee during the year.

Governance & HR Committee

Gary Smith (lead), Di Harrison, Chris Hardy, Mick Bourke

The committee undertook the following key activities -

- Reviewed and updated the Governance & HR charter to ensure the committee is meeting its requirements,
- Progressed the process and timetable for ongoing review of all company policies and procedures,
- Developed the Director Exit policy for the exit of Directors due to retirement and/or resignation,
- Developed procedures pursuant to the Director Recruitment policy for co-opting of Directors as required from time to time,
- Amended the Director Induction policy to improve Director induction procedures as well as improve the new Director induction checklist,
- Worked on further refinement of the annual Board performance assessment,
- Initiated development of an annual Director performance self-assessment tool.

Committee report (continued)

Low Volume Market

Mel White (lead), Di Harrison, Peter Marx

The LVM committee is responsible for supervising the process of buying and selling Trafalgar and District Financial Services Ltd's shares. The process of selling and buying shares can be completed either online using the required forms on our website or printing the required form and mailing it. Each committee member must complete the required training to be part of this committee.

During 2011/2012, we have completed 5 share transfers using the LVM process and at the end of June 2012 there was only one party on our Register of Interested parties schedule who is seeking to sell their shares.

Operational committees

Best Practice Committee

Jane Coots (lead), Gary Smith, Phil Drummond

The 'Best Practice' Committee has identified a business excellence framework to be used to benchmark company practices so that we may measure our performance and identify activities that require improvement.

We have started to identify company activities that pose a potential risk to the strength of the company and ways to measure our performance.

This is an evolving project that the next committee can work on and improve.

Community Committee

Di Harrison (lead), Mel White Phil Drummond, Tiffany Jones, Lorraine Morland, Gemma Ricardo

The main focus of the community committee during the 2011/2012 financial year were:-

- Investigate building a partnership with local, state and/or federal government as well as other **Community Bank®** branches in the Baw Baw region to expand the sponsorship and grants range. This project will continue in the new financial year with interested partners.
- The supply of automatic defibrillators to five selected sporting groups (Trafalgar Victory Football Club, Trafalgar Park Bowls Clubs Inc, Trafalgar Bowling Club, Yarragon Bowling Club and Thorpdale Bowling Club) to support the community health and well being of those clubs and its members as well as other member of the community who visit their clubs.
- To supply "Welcome Packs" to new residents of our community. The packs included flyers, stickers, DVD and welcome letter to promote the services of the **Community Bank®** branch and welcome those residents to our community.

Along with these three major projects, the community committee during the year also monitored and reviewed the sponsorship programme, student scholarships, community EFTpos machine, Greenlight youth driver education course; and advertising and promotion.

Staff Committee

Gary Smith (lead), Phil Drummond

The major focus of the staff committee this year was to introduce staff development plans that were better aligned to the objectives of the business; developed the capacity of the staff and the business and increased the skill levels of the staff to meet identified business needs. Whilst this activity is an ongoing process, it has proven successful to date with the staff training and development activities resulting in improvements in parts of the business that were not meeting targets in previous years.

Committee report (continued)

The capacity of the branch has improved to ensure that it has improved its capacity to meet the needs of our customers. This focus of alignment and skills development will continue in future years to ensure that the constant changes being introduced to meet the constantly changing needs of our customers are fully understood by staff so they can provide outstanding service to our customers.

Stakeholder Committee

Wayne McArdle (lead), Phil Drummond

The overarching goals of the committee were to identify and implement the key findings of the stakeholder survey; identify and implement the key findings of the shareholder survey; and to restructure and enhance the Youth Foundations Project.

Two surveys were undertaken during the reporting period, one involving stakeholders (customers and the general community). The stakeholder survey identified that a marketing campaign needed to be developed and implemented in order to enhance its position. A campaign was organised and implemented in the early months of 2012 which appeared to be quite successful.

The second survey, that of the company's shareholder's, identified that several ways to improve communication between the company and the shareholders (a quarterly newsletter; an informal meeting between parties; and exploring the usage of electronic communication).

Based on the survey results, the company has increased its shareholder newsletters to a minimum of three per annum. A planned informal meeting between shareholders and the company was cancelled due to a lack of interest. The use of electronic communication between the company and shareholders will be considered in 2013.

The Youth Foundations Project finished during the year, however, the company decided to continue with the initiative, and has now formed a partnership with Trafalgar High School for its continuity.

Profitability Committee

Chris Hardy (lead), Mick Bourke, Phil Drummond

In the last reporting period, the profitability committee collated financial data in order to complete a five-year capital plan in order to increase the financial capabilities of the company. The committee also monitored in conjunction with Bendigo and Adelaide Bank the survey completed with regards the feasibility of an agency in the township of Yarragon. This area of business growth will continue to be researched by the company in the new financial year.

Directors' report

For the financial year ended 30 June 2012

The Directors present their report on the company for the financial year ending 30 June 2012.

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

Mr Michael Bourke

Michael is 59 years of age. Appointed Director on 29 November 2007 and was appointed Chairman on 6 November 2008. He works as a consultant and has a Diploma of Public Administration. Michael is involved in the Crisis Response, Executive, Governance & Human Resources, and Profitability committees as well, in his capacity as Chairman, as being ex-officio member of all committees.

Mr Gary Smith

Gary is 57 years of age and was appointed Director on 3 June 2010. He was appointed Deputy Chairman on 7 July 2011. He has recently retired and worked previously as a Manager of Asset Planning and has the qualifications of Diploma of Engineering (Civil) and Diploma of Teaching (Technical). He is part of the Governance and Human Resources, Executive, Staff and Best Practice committees.

Mrs Melanie White

Melanie is 37 years of age and was appointed Director, company Secretary and Treasurer on the 1 December 2011. She is employed as the Executive Officer of Trafalgar and District Financial Services Limited. Her qualification is a Bachelor of Business (Multidiscipline) and is a Certified Practising Accountant. She is a current member of CPA Australia. She is involved in the Executive, Crisis Response, Audit & Risk and Low Volume Market committees.

Mr Peter Marx

Peter is 64 years of age. Appointed as a Director on 21 October 2002, he was also appointed company Secretary on 2 February 2007 until 1 December 2011. He works as a land surveyor and has qualifications of Licensed Land Surveyor, Diploma of Surveying, Diploma of Cartography and is a member of the Institution of Surveyors Victoria and Association of Consulting Surveyors Victoria. He is involved in the Audit & Risk, Crisis Response and Low Volume Market committees.

Ms Dianne Harrison

Dianne is 53 years of age. She was appointed Director on 4 November 2010. Dianne is employed as a TAFE teacher and has qualifications of Bachelor of Arts, Bachelor of Education, Master of Education, and Gippsland Community Leadership Program (2010) Graduate. She is involved with the Governance & Human Resources, Low Volume Market and Community committees.

Mr Wayne McArdle

Wayne is 42 years of age and was appointed Director on 5 May 2011. His occupation is a Barrister & Solicitor and has qualifications of Bachelor of Laws, Bachelor of Economics, Diploma of Law and Government and Diploma of Legal Practice. He is a member of the Law Institute of Victoria. He is part of the Audit & Risk and Stakeholder committees.

Mrs Jane Coots

Jane is 44 years of age and was appointed a Director on 3 November 2011. Her occupation is an accountant and has the Bachelor of Business and Commerce (Accounting) as her qualifications. She is an Associate member of CPA Australia. Jane is involved in the Audit & Risk and Best Practice committees.

Directors' report (continued)

1. The Directors in office at any time during or since the end of the year are (continued)

Mr Chris Hardy

Chris is 33 years of age and was appointed a Director on 3 November 2011. His occupation is a pharmacist and holds qualifications of Bachelor of Pharmacy, Diploma in Training and Assessment and MBTI Assessor. Chris is part of the Governance and Human Resources and Profitability committees.

Ms Michelle Robertson

Michelle is 37 years of age and was appointed Director on 2 July 2009. She was appointed to the position of Treasurer on 3 December 2009 until 3 November 2011. She is employed as an Administration Manager with an Advanced Diploma of Business Accounting. She was part of the Audit & Risk, Crisis Response, Executive and Profitability committees. Michelle did not seek re-election at the 2011 Annual General Meeting.

Ms Sally Brown

Sally is 22 years of age. She was appointed Director on 5 November 2009. She is a university student. She was involved in the Audit & Risk and Community committees. Sally did not seek re-election at the 2011 Annual General Meeting.

Mr Dylan Berends

Dylan is 26 years of age. He was appointed Director on 4 November 2010. Dylan is employed as an Accountant and is a Candidate member of the Institute of Chartered Accountants Australia. He was part of the Audit & Risk, Best Practice and Profitability committees until his resignation on 13 October 2011.

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

2. The principal activity of the company during the financial year was the management of a **Community Bank®** branch.
3. The net profit of the company for the financial year was \$83,524 (2011 \$107,097).
4. During the financial year the company continued its trading activities. The results of those operations were in line with projections.
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 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 an 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 of all or any part of those proceedings.
10. The company was not a party to any such proceedings during the year.

Directors' report (continued)

11. The company's operation are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.
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 an employee of the company.
13. During the Financial year, 13 meetings of Directors were held. Attendances by each Director were as follows:

Director	Director since	Director's meetings	
		Number eligible to attend	Number attended
Michael Bourke	2007	13	12
Peter Marx	2002	13	12
Michelle Robertson*	2009	7	5
Sally Brown*	2009	7	7
Gary Smith	2010	13	10
Dianne Harrison	2010	13	13
Dylan Berends~	2010	6	5
Wayne McArdle	2011	13	11
Jane Coots**	2011	6	4
Chris Hardy**	2011	6	5
Melanie White^	2011	6	6

*Did not seek re-election at 2011 AGM

~Resigned 13 October 2011

**Appointed 3 November 2011

^Appointed 1 December 2011

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

Directors' report (continued)

Auditors Independence Declaration

The Directors received the following declaration from the Auditor of the company:

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

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, 2012 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 3rd day of September, 2012

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189
Website: www.taylorpartners.com.au Email: admin@taylorpartners.com.au
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548
Liability Limited by a Scheme approved under Professional Standards Legislation.

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



Michael Bourke
Chairman

Date: 6 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue			
Income from operations		893,702	872,264
Interest received		29,285	27,576
Total revenue		922,987	899,840
Expenses			
Employee benefit expenses		340,372	314,334
Depreciation		12,946	9,713
Amortisation of franchise fee		13,772	13,773
General administration		196,175	143,615
Leasing costs		7,478	8,345
Audit services		1,400	1,386
Advertising and promotion		14,963	9,329
Marketing and sponsorships		91,995	60,603
Occupancy costs		29,010	27,844
Total expenses		708,111	588,942
Profit (loss) from ordinary activities before income tax & market development		214,876	310,898
Market development grants		105,000	152,000
Income tax expense	3	26,352	51,801
Net profit (loss) after income tax		83,524	107,097
Earnings per share (cents per share)			
- Basic for the period (cents)		15.67	20.10
- Diluted for the period (cents)		15.67	20.10

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash & cash equivalents	5	563,806	544,560
Trade & other receivables		84,808	78,260
Other current assets		7,343	7,859
Total current assets		655,957	630,679
Non-current assets			
Intangibles	13	19,281	33,054
Plant and equipment	2	90,457	74,558
Deferred tax asset	3	9,215	9,254
Total non-current assets		118,953	116,866
Total assets		774,910	747,545
Current liabilities			
Trade & other payables		35,569	27,021
Provisions	4	22,071	42,141
Total current liabilities		57,640	69,162
Non-current liabilities			
Provisions	4	2,072	9,254
Deferred tax liability	3	2,203	2,358
Total non-current liabilities		4,275	11,612
Total liabilities		61,915	80,774
Net assets		712,995	666,771
Members funds			
Contributed equity		532,859	532,859
Accumulated profits (losses)	9	180,136	133,912
Total members' funds		712,995	666,771

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		976,570	956,192
Payments to suppliers and employees		(821,578)	(765,043)
Interest received		29,831	29,252
Gst paid		(46,662)	(50,795)
Income taxes paid		(52,770)	(24,519)
Net cash provided by operating activities	6	85,391	145,087
Cash flows from investing activities			
Purchases of property, plant and equipment		(28,845)	(9,561)
Net cash used in investing activities		(28,845)	(9,561)
Cash flows from financing activities			
Dividends paid		(37,300)	(31,971)
Net cash used in financing activities		(37,300)	(31,971)
Net increase/(decrease) in cash held		19,246	103,555
Cash and cash equivalents at beginning of year		544,560	441,005
Cash and cash equivalents at end of year	5	563,806	544,560

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2012

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2009	532,859	31,093	563,952
Net profit/(loss) for the period	-	54,336	54,336
Dividends provided for or paid	-	(26,643)	(26,643)
Balance at 30 June 2010	532,859	58,786	591,645
Balance at 1 July 2010	532,859	58,786	591,645
Net profit/(loss) for the period	-	107,097	107,097
Dividends provided for or paid	-	(31,971)	(31,971)
Balance at 30 June 2011	532,859	133,912	666,771
Balance at 1 July 2011	532,859	133,912	666,771
Net profit/(loss) for the period	-	83,524	83,524
Dividends provided for or paid	-	(37,300)	(37,300)
Balance at 30 June 2012	532,859	180,136	712,995

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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 Australia.

The financial report has been prepared on an accruals 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 5% - 100%

(c) Cash

For the purposes of the Statement of Cash Flows, cash includes:

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(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 Statement of Cash Flows 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

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.

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 recognized 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(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.

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.

(k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 2. Plant and equipment		
Plant and Equipment at Cost	191,752	162,907
Less Provision for Depreciation	(101,295)	(88,349)
	90,457	74,558
Reconciliation of written-down value of Plant & Equipment		
Balance at beginning of year	74,558	74,710
Additions	28,845	9,561
Depreciation Expense	(12,946)	(9,713)
Balance at end of year	90,457	74,558

Note 3. Income tax expense

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%	32,963	47,669
Adjust for tax effect:		
Non - deductible permanent differences		
Set - up costs	4,132	4,132
Timing differences deductible when incurred		
Provision for holiday pay, accrued and prepaid expenses	(982)	(51)
Provision for Long Service Leave	934	(3,195)
Accrued Interest	164	503
	37,210	49,058
Movement in Deferred Tax Asset	39	289
Movement in Deferred Tax Liability	(155)	515
Prior Year Amended Returns	(10,743)	-
Income Tax Expense	26,351	49,862
Deferred Tax Asset		
Accrued Expenses	1,656	1,410
Provision for Holiday Pay	3,850	5,068
Provision for Long Service Leave	3,710	2,776
	9,215	9,254
Movement in deferred tax asset charged to statement of comprehensive income	(39)	(289)

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Income tax expense (continued)		
Deferred tax liability		
Accrued interest	1,536	1,700
Prepaid rent	667	658
	2,203	2,358
Movement in deferred tax liability charged to statement of comprehensive income	(155)	515

Note 4. Provisions

Current

Income Tax Payable	(1,055)	25,247
Annual Leave	12,832	16,894
Long Service Leave	10,294	-
	22,071	42,141

Non - Current

Long Service Leave	2,072	9,254
Average number of employees	5	5

Note 5. Cash & cash equivalents

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:

Cash at Bank	563,806	544,560
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Note 6. Cash flow information

Reconciliation of cash flow from operation with operating profit / (loss)

Operating profit / (loss)	83,524	107,097
Non - Cash flows in operating results		
Depreciation	12,946	9,713
Amortisation	13,772	13,773

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 6. Cash flow information (continued)		
Changes in Assets and Liabilities		
(Increase) / Decrease in receivables	(6,032)	(1,804)
Increase / (Decrease) in payables	8,548	(280)
Increase / (Decrease) in provisions	(949)	(10,694)
Increase / (Decrease) in income tax payable	(26,302)	24,539
(Increase) / Decrease in deferred tax assets	39	3,223
Increase / (Decrease) in deferred tax liabilities	(155)	(480)
Net cash provided by operating activities	85,391	145,087

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®** branch in the Trafalgar, Yarragon, Willow Grove, Thorpdale, Narracan, Erica, Rawson, Walhalla and Tanjil South of Gippsland in Victoria.

	2012 \$	2011 \$
Note 9. Accumulated profits / (losses)		
Accumulated profit at the beginning of the financial year	133,912	58,786
Net profit after income tax	83,524	107,097
Less dividends paid	(37,300)	(31,971)
Accumulated profit (loss) at the end of the financial year	180,136	133,912

Notes 10. Dividends paid on ordinary shares

Franked dividends	37,300	31,971
(7 Cents per share for 2012, 6 Cents per share for 2011)		

Note 11. Franking credit balance

Franking account balance as at end of the financial year	139,977	103,192
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Notes to the financial statements (continued)

Note 12. Company details

The registered office of the company is 103a Princes Highway, Trafalgar VIC 3824.

The principal place of business is 107 Princes Highway, Trafalgar VIC 3824.

	2012 \$	2011 \$
Note 13. Intangibles		
Franchise Fee at cost	68,862	68,862
Less Amortisation	(49,581)	(35,808)
	19,281	33,054

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	83,524	107,097
Weighted average number of shares for basic and diluted earnings per share	532,859	532,859

Note 15. Financial instruments

	Effective interest rate		Floating interest rate		Fixed interest rate				Non-interest bearing	
					Within 1 year		1 To 5 years			
	2012 %	2011 %	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Financial assets										
Cash at bank	5.09	6.00	81,095	88,924	482,711	455,636				
Receivables									84,808	78,260
Total financial assets			81,095	88,924	482,711	455,636			84,808	78,260
Financial liabilities										
Payables									14,547	27,021
Total financial liabilities									14,547	27,021

(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 15. 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 a 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.

Directors' declaration

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 2012 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.



Michael Bourke
Chairman

Date: 6 September 2012

Independent audit report

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.N 006 597 235

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

INDEPENDENT AUDITORS' REPORT

OUR REFERENCE

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

SCOPE

We have audited the financial report of Trafalgar & District Financial Services Limited set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements for the year ended 30 June 2012. 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 the company's operations and 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 2012 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: 3rd September, 2012

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