



Annual Report 2014

Trafalgar & District
Financial Services Limited

ABN 86 102 573 222

Trafalgar & District **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2014

It gives me great pleasure to present my first Annual Report as Chairperson of Trafalgar & District Financial Services Limited. It has been a busy and challenging year as well as a memorable one as we celebrated 10 years of the **Community Bank®** model in Trafalgar at the end of 2013.

The financial year ended on a pleasing note with net profit much higher than expected. This was due to both careful budgeting and a flurry of lending activity in the branch toward the end of the year which increased income. There has been a general air of cautious business activity in the region but despite this the branch has increased its balance sheet to \$106.56 million. It is still apparent that income was affected by both low interest rates and Bendigo Bank's 'Restoring the Balance' project that has seen our share of income and expenses return to nearer the agreed 50% than in previous years.

As a result of the end of year figures, I am pleased to announce that shareholders will receive a 6c dividend.

Plans for the year ahead include refurbishing the branch. Work will include a new sign on the fascia as well as a new air conditioning system, insulation, carpet, furniture and paint. The banking counter will also be replaced to meet occupational, health and safety standards.

Our investment in the local community has continued this year with \$39,701.64 returned to the local community in the form of sponsorship. With emphasis being placed on maximising the effect of our community investment this year, the Community Building Committee has worked hard in linking sponsorship to potential business opportunities. The Board also commenced work on a new strategic plan in June which identified the need to develop a marketing plan to support the work started by the Community Building Committee.

We launched our 2014 grants program in June with a Community Grants Information Evening that was well attended by community organisations. Successful applicants will be announced at the Annual General Meeting in November 2014.

Another exciting investment in the community this year was the lease of the Yarragon Railway Station Building from Vic Track on behalf of Baw Baw Arts Alliance. This provided a new home for the Baw Baw Arts Alliance and enabled the restoration of a local monument to its former glory, whilst giving the company an opportunity of supporting the community without committing a large sum of money.

The Board of Directors wishes to express their appreciation of the hard work and dedication of the Manager, Phil Drummond and all the staff who have worked at the branch during the year. The branch has faced some challenges this year not only on in the business environment but also due to a turnover of staff with Briony and Tiffany taking maternity leave during the year.

I would like to thank Phil, Lorraine, Sharon, Briony, Tiffany, Kathryn, Stalla, Caroline and Gavin for their fantastic service and teamwork which is the key to our continued success. Many thanks also for their efforts over and above the usual banking duties at each of the community events we've been involved in, these include the branch celebrating its 10th anniversary of banking in Trafalgar last November and the community grants information evening in June.

The Board would also like to thank our administration staff, Gemma and Melanie and Annemieke, our finance Officer for their hard work and support to Directors during the past year and their invaluable contribution to the company.

Chairman's report (continued)

I would like to thank all the Directors for their unfailing hard work this year, which has not been without its challenges due to significant changes to the Board after the Annual General Meeting in 2013. Following the departure of three experienced Directors, Mick Bourke, Gary Smith, and Melanie White, the Board went through a period of renewal. I am happy to say that we have re-grouped and in March, welcomed two new Directors, Stephen Peterson, and Ross McDermott who is returning for a second term as Director. We look forward to continued involvement in the community, growth in business and continued success in our partnership with Bendigo Bank in the coming year.



Jane Coots
Chairman

Manager's report

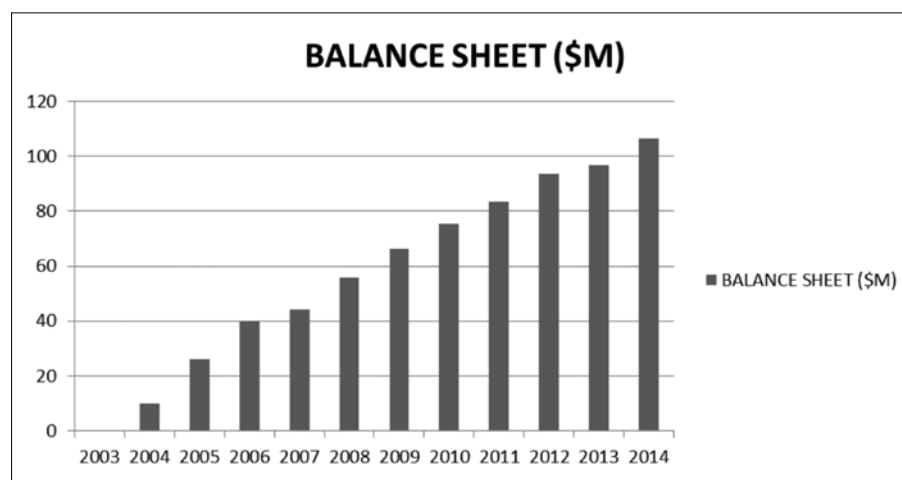
For year ending 30 June 2014

The economic conditions in which we have been operating this year have remained very flat with the La Trobe Valley and the wider Gippsland region experiencing limited economic growth and a number of ongoing economic challenges. Added to this has been increased competition from other financial institutions resulting in a challenging environment for the **Community Bank®** branch.

Despite these challenges, the branch has managed to increase its balance sheet by \$9.745 million during the year to finish with an overall balance of \$106.5 million of funds under management. This includes a loan balance of \$46.98 million, deposit balance of \$52.8 and off balance sheet business of \$6.5 million.

This is a very pleasing result under the circumstances with growth being ahead of budget for the year by 27%.

Most pleasing of all has been that in increasing our business, we have not been relying entirely on existing customers, but have increased our customer base by 2.7%



during the year. This will be a continuing focus for us in the coming year. In order to maintain our strong position in the local market by working to have “locals” bank with us to strengthen their own local community.

Staffing in the branch this year has not been as stable as in previous years due largely to maternity leave absences affecting two positions within the branch.

Stalla Panayiotou, who was with us on a maternity leave contract as our Customer Relationship Manager, left us earlier than expected in December 2013. Briony Schembri, who she was replacing, returned from maternity leave in March 2014 and resigned to take on business banking role in Pakenham with Bendigo Bank. She, in turn has been replaced by Gavin Duffy who started with us in June 2014. Gavin has more than 10 years of experience working in both Bendigo Bank branches and **Community Bank®** branches at Yarram, Bairnsdale and in metropolitan Melbourne and is proving to be a valuable addition to our team, especially as he has specialist qualifications in superannuation and associated products.

Tiffany Kokshoorn, our Customer Service Supervisor, also took maternity leave in March 2014 and is due to return later in the year. She was replaced by Kathryn Gourley being promoted to take over her role. Caroline Dyll has been appointed to Kathryn's role for the period of Tiffany's maternity leave.

Both Briony and Tiffany had healthy baby boys, Liam and Hudson respectively.

Staff who have worked in the branch during the year are Briony Schembri, Stalla Panayiotou, Gavin Duffy, Tiffany Kokshoorn, Sharon Bowyer, Kathryn Gourley, Lorraine Morland, Caroline Dyll and Phil Drummond.

Phil Drummond
Branch Man

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**[®] network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian 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 doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**[®] branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**[®] branches – 305
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- shareholder – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the 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), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank**[®] companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most 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 respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.


Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

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

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

The Directors present their report on the company for the financial year ending 30 June 2014.

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

Mr Michael Bourke

Mick joined the Board as Director on 29 November 2007 and was appointed Chairman on 6 November 2008. He previously worked as a consultant and has a Diploma of Public Administration. Mick was involved in the Crisis Response and Governance and Human Resources Committees and in other committees as an ex-officio member. Mick retired from the Board at the AGM in November 2013.

Gary Smith

Gary was appointed Director on 3 June 2010 and became Deputy Chairman on 7 July 2011. Before his retirement he worked as a Manager of asset planning and holds Diplomas in Engineering (Civil) and Teaching (Technical). He was a member of the Governance and Human and Resources Committee. Gary did not seek re-election at the AGM in November 2013.

Melanie White

Melanie was appointed as Executive Director to the Board on 1 December 2011 holding the positions of Company Secretary and Treasurer. She holds a Bachelor of Business (multi discipline) and is a Certified Practising Accountant. She was a member of the Crisis Response, Audit and Risk and Low Volume Market Committees. Melanie resigned from the Board at the AGM in November 2013.

Dianne Harrison

Dianne was appointed Director on 4 November 2010 and is a lecturer at Federation University. She holds a Bachelor of Arts, Bachelor of Education, Master of Education and is a graduate of the Gippsland Community Leadership Program (2010). She became Deputy Chairman on 8 November 2013 and is responsible for writing our media releases. Dianne is also the Lead of the Community Building Committee and a member of the Low Volume Market Committee.

Wayne McArdle

Wayne was appointed Director on 5 May 2011 and is a barrister and solicitor. His qualifications are Bachelor of Law, Bachelor of Economics, Diploma of Law and Government and a Diploma of Legal Practice. Wayne is a member of the Law Institute of Victoria and is a member of the Audit and Risk Committee.

Jane Coots

Jane was appointed Director on 3 November 2011 and became Chairman on 8 November 2013. She is a local dairy farmer and an accountant and has a Bachelor of Business and Commerce (Accounting). Jane is a member of all the Committees in an ex-officio capacity.

Stuart Earle

Stuart was appointed Director on 20 November 2012 and owns a photographic and movie archiving business in Yarragon. He is a graphic designer and is a member of the Governance and Human Resources, Community Building and the Information Technology Committees.

Directors' report (continued)

Vic Hill

Vic was appointed Director on 7 December 2012 and became Treasurer in August 2013. He is an accountant, tax agent and ASIC registered SMSF Auditor. He is a member of the Institute of Public Accountants (Fellow) and Specialist Advisor and Auditor. Vic has degrees in Bachelor Applied Science (Physics), Masters Applied Science (Physics), a Graduate Diploma (Education) and a Graduate Diploma Business (Accounting). Vic is the lead of the Finance Committee and member of the Audit & Risk Committee.

Luc Valiquette

Luc was appointed Director in 8 February 2013 and became Company Secretary in August 2013. He is a Finance Manager and has a Bachelor of Business Administration. Luc is the lead of the Low Volume Market, Audit & Risk and Information Technology Committees.

Karen Baum

Karen was appointed Director on 1 March 2013. Karen is the Victorian Coordinator for a mentoring initiative for Apprentices and Trainees across all states. She holds a Diploma in Business (Human Resources), Associate Diploma in Applied Science (Agriculture Services) and a Certificate in Dairy Farm Management. Karen completed the Gippsland Community Leadership Program in 2012 and she is also a consultant in the Dairy Industry. Karen is a member of the Governance and Human Resource Committee, the Community Building Committee and is the Director responsible for the Trafalgar & District Youth Foundation.

Stephen Peterson

Stephen was appointed Director in 25 March 2014. He is a lawyer and holds a Bachelor of Arts, Bachelor of Laws and a Graduate Diploma in Legal Practice. He is a member of the Law Institute and on the Executive Committee of the Gippsland Law Association. Stephen is a member of the Audit & Risk Committee.

Ross McDermott

Ross was appointed Director on 25 March 2014 for a second term as a Director. He holds a Certificate IV in Training and Assessment, Diploma in Technical Teaching, Diploma of Business, Vocational Graduate Certificate in Competitive Enterprise and a Masters in Organisational Leadership. Ross is a member of the Audit and Risk and Community Building Committees.

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 \$100,327 (2013 \$45,300)
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 the affairs on the company during the financial year.
6. No matters of 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.

Directors' report (continued)

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 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.
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 or an employee of the company.
13. During the Financial year, 11 meetings of Directors were held. Attendances by each Director were as follows:

Director	Director since	Directors meetings	
		Eligible to attend	Number attended
Michael Bourke *	2007	4	4
Gary Smith *	2010	4	3
Dianne Harrison	2010	11	9
Melanie White ^	2011	4	3
Wayne McArdle	2011	11	8
Jane Coots	2011	11	11
Stuart Earle	2012	11	10
Vic Hill	2012	11	10
Luc Valiquette	2013	11	9
Karen Baum	2013	11	9
Stephen Peterson #	2014	3	3
Ross McDermott #	2014	3	3

* Did not seek re-election at 2013 AGM

^ Resigned at 2013 AGM

Appointed 25 March 2014

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:

Kidmans Partners Pty Ltd

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



Jane Coots
Chairman

Date: 1 October 2014

Auditor's independence declaration

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.N 006 597 235

R. MALE FCA
G. JAMES CA

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 30th June, 2014 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
Suite 5, 255 Whitehorse Road , Balwyn, VIC 3013

Dated this 3rd day of October, 2014

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.

Financial statements

Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue			
Income from operations		761,740	829,182
Interest received		10,289	23,217
Gain/(loss) on disposal of non current assets		-	(6,011)
Total revenue		772,029	846,388
Expenses			
Employee benefit expenses		413,177	412,997
Depreciation		9,849	13,152
Amortisation of franchise fee		14,177	13,772
General administration		111,525	194,822
Leasing costs		7,906	11,580
Audit services		1,420	1,370
Advertising and promotion		32,710	16,894
Marketing and sponsorships		46,956	74,612
Occupancy costs		40,986	36,572
Total expenses		678,704	775,771
Profit/(loss) from ordinary activities before market development		93,324	70,617
Market development grants		50,000	50,000
Donation - CEF		-	(50,000)
Profit/(loss) before income tax		143,324	70,617
Income tax expense/(benefit)	3	42,997	25,317
Profit/(loss) for the period		100,327	45,300
Other comprehensive income		-	-
Total comprehensive income for the period		100,327	45,300
Earnings per share (cents per share)			
- Basic earnings per share (cents)		18.83	8.50
- Diluted earnings per share (cents)		18.83	8.50

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	5	393,701	298,870
Trade and other receivables		77,429	105,778
Other		-	5,877
Total current assets		471,130	410,525
Non-current assets			
Intangibles	13	63,895	5,509
Property, plant & equipment	2	542,874	550,793
Deferred tax asset	3	10,343	9,898
Total non-current assets		617,113	566,200
Total assets		1,088,243	976,725
Liabilities			
Current liabilities			
Interest bearing liabilities		584	-
Trade and other payables		70,195	26,079
Provisions	4	11,207	19,620
Total current liabilities		81,985	45,699
Non-current liabilities			
Interest bearing liabilities		189,184	203,134
Provisions	4	22,008	5,133
Deferred tax liability	3		1,763
Total non-current liabilities		211,192	210,030
Total liabilities		293,178	255,729
Net assets		795,065	720,996
Equity			
Contributed equity		532,859	532,859
Accumulated profits (losses)	9	262,206	188,136
Total equity		795,065	720,995

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		790,115	978,832
Payments to suppliers and employees		(601,297)	(877,223)
Interest received		10,289	24,739
GST Paid		40,877	(48,960)
Income tax paid		(45,205)	(28,525)
Net cash provided by operating activities	6	194,779	48,863
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Payments for property, plant and equipment		(60,316)	(479,499)
Net cash flows used in investing activities		(60,316)	(479,499)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	203,134
Interest on borrowings		-	(134)
Repayment of borrowings		(13,366)	-
Dividends paid		(26,265)	(37,300)
Net cash used in financing activities		(39,631)	165,700
Net increase / (decrease) in cash held		94,832	(264,936)
Cash and cash equivalents at beginning of period		298,870	563,806
Cash and cash equivalents at end of period	5	393,702	298,870

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2014

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	532,859	188,136	720,995
Total comprehensive income for the period	-	100,327	100,327
Transactions with owners in their capacity as owners:			
Shares issued during the period	-	-	-
Dividends recognised for the period	-	(26,265)	(26,265)
Balance at 30 June 2014	532,859	262,198	795,057
Balance at 1 July 2012	532,859	180,136	712,995
Total comprehensive income for the period	-	45,300	45,300
Transactions with owners in their capacity as owners:			
Shares issued during the period	-	-	-
Dividends recognised for the period	-	(37,300)	(37,300)
Balance at 30 June 2013	532,859	188,136	720,995

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary 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 ("the company") 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 in 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) Basis of preparation

These general purpose financial statements for the year reporting period ended 30 June 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This financial report is intended to provide users with an update on the latest annual financial statements of the company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2013, together with any public announcements made during the following year.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this financial report as were applied to prior annual financial statements.

(c) Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the June 2013 annual report.

For the year reporting period to 30 June 2014, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the company. A discussion of these new and revised requirements that are relevant to the company is provided below:

The company adopted AASB 2011-9: Amendments to Australian Accounting Standards- Presentation of Items of Other Comprehensive Income on 1 July 2012. AASB 2011-9 is mandatorily applicable from 1 July 2012 and amends AASB 101: Presentation of Financial Statements.

AASB 2011-9 amends the presentation requirements of other comprehensive income. As the financial report contains no other comprehensive income, this has not affected the presentation of the financial statements.

AASB 2011-9 also amends AASB 101 to change the title "Income Statement" to "Statement of Profit or Loss and Other Comprehensive Income" when the single statement approach is followed. Although other titles are also permitted, the company has decided to use the title "Statement of Profit or Loss and Other Comprehensive Income."

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(d) New and revised accounting requirements applicable to the current year reporting period

The adoption of AASB 2011-9 only changed the presentation of the company's financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the company's financial statements.

The company has not elected to adopt any other new standards or amendments that are issued but not yet effective.

(e) Events subsequent to reporting date

There have been no events subsequent to the reporting date that would materially effect the financial statements at the reporting date.

(f) Property, 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 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 value 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 for each class of depreciable asset are:-

Plant and Equipment 5% - 100%

(g) Cash

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

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

(h) 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).

(i) 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 if the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cash flows 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(j) 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.

(k) Comparative figures

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

(l) 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.

(m) 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 on year, have been measured at the amounts expected to be paid when the be made for those benefits.

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

(n) 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 either 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:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) Income tax (continued)

- 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, effects 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 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 are enacted or substantially enacted at the balance date.

(o) 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.

	2014 \$	2013 \$
Note 2. Property, plant and equipment		
Property, plant and equipment at cost	659,923	657,993
Less provision for depreciation	(117,049)	(107,200)
	542,874	550,793
Reconciliation of written-down value of property, plant & equipment		
Balance at beginning of year	550,793	90,457
Additions	1,930	479,499
Loss on disposal of property, plant & equipment	-	(6,011)
Depreciation expense	(9,849)	(13,152)
Balance at end of year	542,874	550,793

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 3. Income tax expense		
The prima facie tax payable in operating profit is reconciled to the income tax expense as follows:		
Prima facie tax payable on accounting profit at 30%	42,997	21,185
Adjust for tax effect:		
Non-deductible permanent differences		
Set-up costs		4,132
Timing differences deductible when incurred		
Provision for holiday pay, accrued and prepaid expenses	(1,114)	(667)
Provision for long service leave	1,559	1,333
Accrued interest	-	456
	43,442	26,439
Movement in deferred tax asset	-	(683)
Movement in deferred tax liability	1,763	(440)
Income tax expense	45,205	25,316
Deferred tax asset		
Accrued expenses	379	1,530
Provision for holiday pay	3,362	3,325
Provision for long service leave	6,602	5,043
	10,343	9,898
Movement in deferred tax asset charged to statement of comprehensive income	445	683
Deferred tax liability		
Accrued interest	-	1,079
Prepaid rent	-	684
	-	1,763
Movement in deferred tax liability charged to statement of comprehensive income	1,763	(440)

Note 4. Provisions

Current

Income tax payable	14,634	(1,055)
Annual leave	11,207	12,832
Long service leave	18,047	10,294
	43,888	22,071

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 4. Provisions (continued)		
Non - current		
Long service leave	3,962	5,133
Average number of employees	7	7

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	393,701	298,870
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Note 6. Cash flow information

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

Operating profit / (loss)	100,327	45,300
Non-operating cash flows in operating results		
Depreciation	9,849	13,152
Amortisation	14,177	13,772
Loss on disposal of non-current assets		6,011
Interest on borrowings		134
Changes in assets and liabilities		
(Increase) / decrease in receivables	28,349	(19,503)
Increase / (decrease) in payables	3,219	(9,490)
Increase / (decrease) in provisions	25,288	2,695
Increase / (decrease) in tax payable	14,888	(2,085)
(Increase) / decrease in deferred tax assets	445	(683)
Increase / (decrease) in deferred tax liabilities	(1,763)	(440)
Net cash provided by operating activities	194,779	48,863

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.

Notes to the financial statements (continued)

Note 8. Segment reporting

The company operates in the service sector where it conducts a **Community Bank®** in the Trafalgar, Yarragon, Willow Grove, Thorpdale, Narracan, Erica, Rawson, Walhalla and Tanjil South of Gippsland in Victoria.

	2014 \$	2013 \$
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Note 9. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	188,163	180,163
Net profit after income tax	100,307	45,300
Less dividends paid	(26,265)	(37,300)
Accumulated profit / (loss) at the end of the financial year	262,205	188,163

Note 10. Dividends paid on ordinary shares

Franked dividends	26,265	37,300
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(5 cents per share for 2014, 7 cents per share for 2013)

Note 11. Franking credit balance

Franking account balance as at the end of the financial year	158,542	152,516
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Note 12. Company details

The registered office of the company is 2/22-26 Princes Way, Drouin, Victoria.

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

Note 13. Intangibles

Franchise fee at cost	72,563	68,862
Less amortisation	(8,668)	(63,353)
	63,895	5,509

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	98,099	45,300
Weighted average number of shares for basic and diluted earnings per share	532,859	532,859

Notes to the financial statements (continued)

Note 15. Financial instruments

	Effective interest rate		Floating interest rate		Fixed interest rate				Non-interest bearing	
					Within 1 year		1 To 5 years			
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets										
Cash at bank	3.35	4.26	167,721	67,141	225,980	231,730				
Receivables									77,429	74,200
Total financial assets			167,721	67,141	225,980	231,730			77,429	74,200
Financial liabilities										
Payables									16,968	13,602
Total financial liabilities									16,968	13,602

(a) 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.

(b) 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 Trafalgar & District Financial Services Limited, declare that:

- (1) The financial statements and notes, as set out on pages 12 to 23 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134, "Interim Financial Reporting"; and
 - (b) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date.
- (2) In the Directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Jane Coots
Director

Dated 1 October 2014

Independent audit report

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

A.C.N 006 597 235

R. MALE FCA
G. JAMES CA

OUR REFERENCE

INDEPENDENT AUDITORS' REPORT

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 Income Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements for the year ended 30th June, 2014. 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, 2014 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
PRINCIPAL

Date: 3rd October, 2014

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Franchisee: Trafalgar & District Financial Services Limited
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