



Annual Report 2016

Trafalgar & District
Financial Services Limited

ABN 86 102 573 222

Trafalgar & District **Community Bank®** Branch

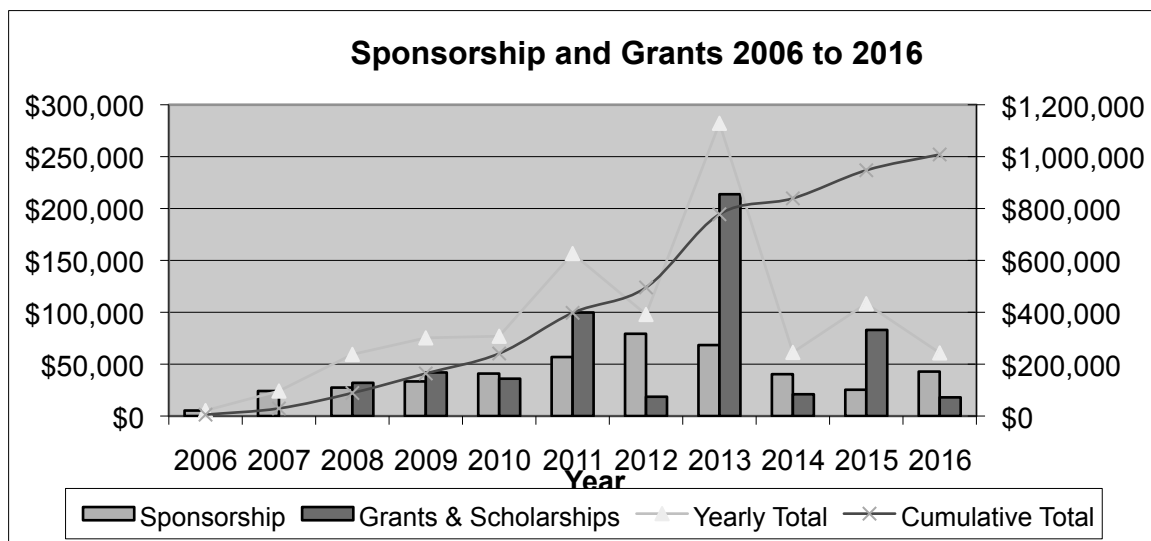
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Chairman's report

For year ending 30 June 2016

It gives me great pleasure to present my third Annual Report as Chairperson of Trafalgar & District Financial Services Limited and announce that this year we have reached the milestone of returning over \$1 million to the local community 10 years after the first sponsorships of local organisations took place. The first sponsorships were distributed in 2006 with a rather modest total of \$5,309 and the first grant to the Youth Foundation followed in 2008. It must be reiterated yet again that none of this would be possible without the support of shareholders.



The total value of bank business increased from \$112.3 million in June 2015 to \$121.655 million at the end of 2016. Income from branch operations remained stable this financial year, whilst expenses increased by approximately 7% from 2015. An increase in employee expenses accounts for most of the increase whilst rental expenses increased due to the lease of a shop in Yarragon to house the ATM.

Negotiations to replace and relocate our ATM in Yarragon were completed this year and work has commenced in renovating the shop interior to suit our company office requirements. The lease on our office in the Baw Baw Technology Centre ends in December 2016 and the Board has decided to relocate its administration office to Yarragon in order to reduce our rental expense.

At the end of June, the Board decided to transfer \$40,000 to the Community Enterprise Foundation™ as a pre-tax contribution. Another grants round is planned for the 2016/17 financial year to continue our commitment to help community organisations to achieve their goals.

As a result of the end of year figures, I am pleased to announce that shareholders will receive a 9 cent per share dividend, fully franked, and that the dividend will be paid on 30 November 2016.

Investment in the local community continued this year with \$75,850 being returned to the local community through sponsorship, scholarships and grants. Sponsorship of local organisations totalled \$42,850, whilst scholarships to help with the cost of books and living expenses to local students attending university totalled \$18,000.

At the end of June, the Trafalgar & District Youth Foundation was discussing several projects with local organisations. I would like to thank Jessy Rhodes for resuming the project and starting the conversations with the local community. Jessy left in August last year and in April this year we welcomed Kirsty Peterson as Youth Foundation Facilitator. Kirsty has worked hard to build relationships and in June, the Board granted \$15,000 from its Youth Foundation to The Summit for its 'Impact Project'. There are several other projects in progress at the moment and we look forward to announcing further grants through out the year.

Chairman's report (continued)

Kirsty has also worked on a strategic plan to move the focus of the Foundation to sustainable funding that will support longer-term community projects to give local young people the tools and resources to make a positive contribution to their community by turning their ideas into actions.

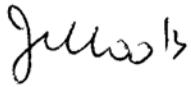
The Board of Directors wishes to express their appreciation of the hard work and dedication of the Branch Manager, Phil Drummond and all the staff who have worked at the branch during the year. Erin Hastie left the branch team during the year and I would like to extend a welcome to Kate Westbury who has joined the staff

I would like to thank Phil, Sharon, Tiffany, Gavin, Christie and Kate 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.

Following the departure of Lindsay Jarvis, Stuart Earle and Karen Baum this year, I welcome to the Board, John Richardson and Michael Dempsey. As a result of having fewer Directors on the Board, we reduced the number of sub-committees, putting Human Resources and Information Technology committees into abeyance until Director numbers increase and the workload can be spread more evenly.

The Board is fortunate that its daily operations are handled by our competent and supportive staff, which reduces the workload of Directors. Our Finance Officer, Annemieke resigned from the company in July 2015 and we welcome to the company, Michelle Collins. The Board would like to thank our staff, Melanie, Claire, Michelle and Annemieke for their hard work and support to Directors during the past year and their invaluable contribution to the company.

The partnership with Bendigo and Adelaide Bank continues to be both collaborative and supportive as we work with a new regional management team.



Jane Coots
Chairman

Manager's report

For year ending 30 June 2016

This year we are pleased to advise that the branch has increased its balance sheet by \$5.582 million during the year to finish with an overall balance of \$121.655 million of funds under management. This includes a loan balance of \$47.227 million, deposit balance of \$61.437 million and off balance sheet business of \$12.991 million. This is a gratifying result under the circumstances with growth being ahead of budget for the year. 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 and ever reducing margins resulting from lower interest rates. The result has been a challenging environment for the **Community Bank®** branch making this growth even more satisfying.

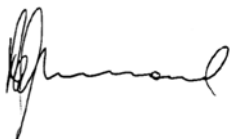
An important strategy for our business is to increase the number of customers from local communities who bank with us. This will be a continuing focus for us in the coming year in order to maintain our strong position in the local market by working to have “locals” bank with us in order to strengthen their own community.

During the year we have been waiving up to \$600 of the establishment fees for new lending which has involved refinancing from other financial institutions and new purchases in order to complete with the major discounting and cash back marketing of our competitors. We have also been supporting the introduction of new home loan products by Bendigo Bank which rewards customers for doing more of their banking with us. These have proven to be successful with customers welcoming the opportunity to obtain discounted insurance premiums and many other benefits in conjunction with their home loans.

The branch has also been building its relationship with Rural Finance Corporation which is now part of the Bendigo Bank stable of products and services to ensure that we can offer our agribusiness customers the best offering available whilst also supporting their local community. The rural economy is the main economic driver of this region so it is important for us to service it as well as we can as this area is heavily reliant on the rural sector.

There have been some staffing changes in the branch this year. Erin Hastie left us to take another career direction. We took the opportunity to change the role she filled to a role as a Customer Relationship Officer to provide customers with more opportunity to discuss their broad banking needs with us and enable them to be offered better tailored solutions to meet those needs. Christie Ashe was promoted to this new role. Kate Westbury was appointed to be a Customer Service Officer to replace Christie. Kate is local from Trafalgar with strong family ties in the area and great experience working for Bendigo Bank in Warragul, Moe and Drouin branches previously.

Staff who have worked in the branch during the year are Gavin Duffy, Tiffany Kokshoorn, Sharon Bowyer, Erin Hastie, Christie Ashe, Kate Westbury and Phil Drummond.



Phil Drummond
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank®** companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today.

To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank®** community can achieve.



Robert Musgrove
Executive Community Engagement

Committee reports

For year ending 30 June 2016

The company's four governance committees and two 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 2016).

Corporate Governance committees

Audit & Risk Committee

Stephen Peterson (Lead), Jane Coots and Grant Coulthard

The Audit & Risk Committee met on three occasions during the 2015/16 financial year.

The committee utilised the risk register to carefully monitor and evaluate risk to the company over the course of the year.

The Audit & Risk Committee also oversaw the successful implementation of the new Bendigo Bank auditing process in the **Community Bank**[®] branch.

In the 2016/17 financial year the Audit & Risk Committee will develop its governance role by reviewing reports comparing expenses and other key indicators with the wider **Community Bank**[®] network. Risks to the branch have been managed over the course of the 2015/16 financial year by means of robust migratory controls coupled with focussed review of specific operational risks.

Crisis Response Committee

Jane Coots (Lead) and Phil Drummond

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

Finance Committee Report

Grant Coulthard (Lead), Jane Coots, Peter Starkey and Michelle Collins

The Finance Committee is responsible for the financial performance of the company.

The Committee meets on a monthly basis, and reports to the Board at each monthly meeting. It is responsible for the preparation of the annual budget, along with monitoring both income and expenses during the year. The upcoming year will see our continued focus on controlling expenses, while implementing strategies to increase our revenue base.

The new office premises in Yarragon will see significant funds being spent in 2016/17, to accommodate all current office staff.

Low Volume Market

Stephen Peterson (Lead), Jane Coots and Melanie Jinnette

The Low Volume Market Committee is responsible for the administration of Trafalgar & District Financial Services Limited shares trading.

The committee met three times during the past year.

A review of the share registry was conducted to ensure that there were no shareholders with a prohibited shareholding interest. No breaches to the company's constitution or the Low Volume Market rules were noted.

Process was also developed to better deal with circumstances where share trades occur that involve deceased estates.

Committee reports (continued)

Low Volume Market (continued)

During the 2015/16 financial year there were a total of five transfers.

As at 30 June 2016, there were four parties interested in selling shares and two parties interested in purchasing shares.

Operational Committees

Marketing & Sponsorship Committee

Jane Coots (Lead), Michael Dempsey, Phil Drummond, John Richardson, Peter Starkey and Christie Ashe

The Sponsorship & Marketing Committee oversaw the sponsorship program which returned \$42,850 to community organisations in the form of sponsorship. This year the following organisations received sponsorship from the Trafalgar & District **Community Bank**® Branch.

Organisation	Amount \$
Gippsland Greenkeepers & Bowlers	\$300
Hill End Grove Rovers Junior Football Club	\$300
Trafalgar Probus Club	\$300
Trafalgar Primary School Parents & Friends Committee	\$400
Lioness Club of Trafalgar	\$500
Narracan Primary School	\$600
Thorpdale Primary School	\$600
Walhalla Heritage and Development League Inc.	\$600
Willow Grove Primary School	\$600
Yarragon Primary School	\$850
Trafalgar Play Group	\$1,100
Darnum Memorial Hall	\$1,200
Hill End Mechanic Institute	\$1,500
Lions Club of Trafalgar	\$1,500
Baw Baw L2P- Driver Mentor Program	\$2,000
Trafalgar Bowls Club	\$2,000
Tanjil Valley Art Show	\$2,500
Yarragon Bowling Club	\$2,500
Yarragon Cricket Club	\$2,500
Trafalgar Polo Cross Club	\$3,000
Gippsland Road Runners (Trafalgar)	\$3,500
Trafalgar - Battle of Trafalgar Festival	\$4,500
Thorpdale Multi-Purpose Stadium	\$5,000
Trafalgar & District Historical Society	\$5,000
TOTAL	\$42,850

Committee reports (continued)

Marketing & Sponsorship Committee (continued)

The Trafalgar & District **Community Bank**® Branch student scholarship program supported nine students pursuing higher education opportunities this year with scholarships of \$2,000 each. This brings the total awarded in scholarships to \$68,000 since 2012.

To date an amount of \$1.008 million has been returned to the local communities of Trafalgar and surrounding districts through sponsorship, grants and scholarships since 2003.

Youth Foundation

Peter Starkey (Lead), Jane Coots, Kirsty Peterson (Youth Foundation Facilitator), John Richardson and Michael Dempsey

In the 2015/16 financial year, the Youth Foundation Sub-Committee focused on appointing the new Facilitator (Kirsty Peterson), who commenced work in April 2016.

The project highlights of 2015/16 have so far included the submission of a grant application from The Summit Camp/ The Impact Project, approved for the total sum of \$15,000.

The Youth Foundation is looking forward to collaborating with many local organisations to foster innovative projects, including Trafalgar High School, the Yarragon Skatepark Committee, the Trafalgar Youth Resource Centre and Theatrecraft Youth Unlimited.

Kirsty is working to develop relationships with prominent youth-focused organisations within the Trafalgar and local district communities, in order to promote the Youth Foundation as both a resource and key player in community youth development. It has become apparent to the Youth Foundation Sub-Committee that the Trafalgar Youth Foundation want to be more than just a source of funding for the community, but a cultivator of youth culture which, through education and investment, promotes leadership, creativity, resilience, philanthropy and entrepreneurship. Kirsty, alongside the Youth Foundation Sub-Committee are in the process of developing a formalised Strategic Plan and vision for the Youth Foundation.

Directors' report

For the financial year ended 30 June 2016

The Directors present their report on the company for the financial year ending 30 June 2016.

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

Jane Coots

Jane was appointed Director on 3 November 2011 and re-elected in 14 November 2014. She was elected as Chairman for a third term November 2015. A former dairy farmer, Jane is a Rural Financial Counsellor with a background in accounting. She holds a Bachelor of Business and Commerce (Accounting) and is working towards her CPA accreditation. She is a member of all the Committees in an ex-officio capacity.

Stuart Earle

Stuart was appointed Director on 20 November 2012 and re-elected in 14 November 2014. He owns a photographic and movie archiving business in Yarragon and is a graphic designer. He was the lead of the Marketing and Sponsorship and the Information Technology Committees. Stuart resigned his Directorship on 31st March, 2016.

Karen Baum

Appointed a Board member in March 2013. In 2012, Karen completed the Gippsland Community Leadership Program and also holds a Diploma in Business (Human Resources), Associate Diploma in Applied Science (Agricultural Services) and a Certificate in Dairy Farm Management. Karen is a member of the Marketing & Sponsorship Committee and was the Director responsible for the Trafalgar & District Youth Foundation. Karen resigned from the Board on 28th April, 2016.

Stephen Peterson

Stephen was appointed Director on 25 March 2014 and became Company Secretary on 28 June 2015 and served as Deputy Chairman from February to June, 2016. He is a lawyer and holds a Bachelor of Arts, Bachelor or Laws and a Graduate Diploma in Legal Practice. He is a member of the Law Institute and is on the Executive Committee of the Gippsland Law Association. Stephen is the lead of the Audit & Risk and Low Volume Market Committees.

Grant Coulthard

Grant was appointed as a Director in 28 May, 2015 and was elected Treasurer on 25 June, 2015. Grant is an accountant and holds a Bachelor of Business. He also holds a Graduate Diploma (Education), a Graduate Certificate (Governance for Not for Profits) and is completing the Gippsland Community Leadership Program. Grant is the lead of the Finance Committee, as well as a member of the Audit & Risk and IT Committees.

Lindsay Jarvis

Lindsay was appointed Director on the 25 June 2015. Lindsay holds a Diploma in Social & Community Services, and graduated from the Academy of Interactive Entertainment with an Advanced Diploma in Game Development (Art). Lindsay completed the Gippsland Community Leadership Program in 2014 and is a member of the Youth Foundation Committee and the Finance Committee. Lindsay resigned his Directorship on 20 February, 2016.

Directors' report (continued)

Peter Starkey

Peter was appointed Director on the 15 October 2015. He has over 15 years of experience in diverse roles focusing on business management and the financial services industry. Peter is a Board member of Baw Baw Latrobe Learning and Employment Network, Advance Morwell and Latrobe Community Health Service. He was appointed to the position of Deputy Chairman in June, 2016 and is a Committee member of the Marketing & Sponsorship Committee, the Finance Committee and the lead of the Youth Foundation Committee.

John Richardson

John was appointed Director on the 28 January, 2016. John is a retired policeman who runs a philatelic business on behalf of Warragul Philatelic Society and is interested in community development. John is a Committee member of the Marketing & Sponsorship Committee and the Youth Foundation Committee.

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 after tax of the company for the financial year was \$66,722 (2015: \$63,928).
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.
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.

Directors' report (continued)

13. During the Financial year, 14 meetings of Directors were held. Attendances by each Director were as follows:

Director	Director Since	Directors Meetings	
		Eligible to attend	Number attended
Jane Coots	2011	14	14
Stuart Earle *	2012	11	9
Karen Baum **	2013	12	8
Stephen Peterson	2014	14	11
Grant Coulthard	2015	14	10
Lindsay Jarvis ***	2015	8	5
Peter Starkey #	2015	11	8
John Richardson ##	2016	7	7

* Resigned 31 March 2016

** Resigned 28 April 2016

*** Resigned on 20 February 2016

Appointed 15 October 2015

Appointed 1 March 2016

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

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: 23 September 2016

Independent audit report



INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF TRAFALGAR & DISTRICT FINANCIAL SERVICES LIMITED

Report on the financial report

We have audited the accompanying general purpose financial report of Trafalgar & District Financial Services Limited which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Board of Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Board of Director's responsibility also includes establishing and maintaining internal controls necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the Independence requirements of the *Corporations Act 2001*.

KIDMANS PARTNERS AUDIT PTY LTD – ABN 46 143 986 841

[Incorporating Harmon Partners]
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Independent audit report (continued)



Audit Opinion

In our opinion the financial report Trafalgar & District Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the financial reporting requirements of the *Corporations Act 2001*.

Kidmans Partners Audit Pty Ltd
ABN: 46 143 986 841

A handwritten signature in black ink, appearing to read "John Petridis".

John Petridis
Director

Dated: 26 September 2016

Auditor's independence declaration



AUDITOR'S 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 during the year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Kidmans Partners Audit Pty Ltd

ABN: 46 143 986 841

John Petridis

Director

Date: 26 September 2016

KIDMANS PARTNERS AUDIT PTY LTD – ABN 46 143 986 841

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue			
Income from operations		806,299	796,562
Interest received		6,569	9,472
Total revenue		812,868	806,034
Expenses			
Employee benefit expenses		474,195	433,564
Depreciation		15,126	8,121
Amortisation of franchise fee		14,513	14,513
General administration		100,375	109,833
Leasing costs		14,167	7,889
Audit services		1,600	1,460
Advertising and promotion		12,790	20,882
Marketing and sponsorships		45,574	33,225
Occupancy costs		49,658	35,221
Total expenses		727,998	664,707
Profit/(loss) from ordinary activities before market development		84,870	141,327
Market development grants		50,000	50,000
Donation - cef		(40,000)	(100,000)
Profit/(loss) before income tax		94,870	91,327
Income tax expense/(benefit)	3	28,148	27,399
Profit/(loss) for the period		66,722	63,928
Other comprehensive income		-	-
Total comprehensive income for the period		66,722	63,928
Earnings per share (cents per share)			
- Basic earnings per share (cents)		12.52	12.00
- Diluted earnings per share (cents)		12.52	12.00

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	326,323	404,684
Trade and other receivables		78,920	76,836
Tax assets		-	19,157
Other		3,337	1,665
Total current assets		408,580	502,342
Non-current assets			
Intangibles	13	34,870	49,383
Property, plant & equipment	2	668,538	534,953
Deferred tax asset	3	10,925	7,959
Total non-current assets		714,333	592,295
Total assets		1,122,913	1,094,637
Liabilities			
Current liabilities			
Interest bearing liabilities		73	679
Trade and other payables		74,967	66,929
Tax liabilities		6,675	-
Provisions	4	27,791	17,121
Total current liabilities		109,506	84,729
Non-current liabilities			
Interest bearing liabilities		157,377	174,007
Deferred tax liability	3	951	500
Provisions	4	9,694	7,928
Total non-current liabilities		168,022	182,435
Total liabilities		277,528	267,164
Net assets		845,385	827,473
Equity			
Contributed equity		532,850	532,850
Accumulated profits (losses)	9	312,535	294,623
Total equity		845,385	827,473

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2016

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	532,850	294,623	827,473
Total comprehensive income for the period	-	66,722	66,722
Transactions with owners in their capacity as owners:			
Shares issued during the period	-	-	-
Dividends recognised for the period	-	(48,810)	(48,810)
Balance at 30 June 2016	532,850	312,535	845,385
Balance at 1 July 2014	532,850	262,225	795,075
Total comprehensive income for the period	-	63,928	63,928
Transactions with owners in their capacity as owners:			
Shares issued during the period	-	-	-
Dividends recognised for the period	-	(31,530)	(31,530)
Balance at 30 June 2015	532,850	294,623	827,473

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		804,215	797,155
Payments to suppliers and employees		(634,804)	(723,935)
Interest received		6,569	9,472
Gst paid		(15,597)	(383)
Income tax paid		(23,988)	(24,515)
Net cash provided by operating activities	6	136,395	57,795
Cash flows from investing activities			
Payments for property, plant and equipment		(148,710)	(200)
Net cash flows used in investing activities		(148,710)	(200)
Cash flows from financing activities			
Repayment of borrowings		(17,236)	(15,083)
Dividends paid		(48,810)	(31,530)
Net cash used in financing activities		(66,046)	(46,613)
Net increase / (decrease) in cash held		(78,361)	10,982
Cash and cash equivalents at beginning of period		404,683	393,701
Cash and cash equivalents at end of period	5	326,323	404,683

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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 2016 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 2016, 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) 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.

(d) 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%
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Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) 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.

(f) 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).

(g) 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.

(h) 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.

(i) Comparative figures

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

(j) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) 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.

(l) 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:

- 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 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.

(m) 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)

	2016 \$	2015 \$
Note 2. Property, plant and equipment		
Property, plant and equipment at cost	808,833	660,123
Less provision for depreciation	(140,296)	(125,170)
	668,538	534,953
Reconciliation of written-down value of property, plant & equipment		
Balance at beginning of year	534,953	542,874
Additions	148,711	200
Depreciation expense	(15,126)	(8,121)
Balance at end of year	668,538	534,953

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 28.50%	28,148	27,399
Adjust for tax effect:		
Non-deductible permanent differences		
Change in Income Tax Rate - FITB	(398)	-
Change in Income Tax Rate - PDIT	26	-
Timing differences deductible when incurred		
Provision for holiday pay, accrued and prepaid expenses	1,583	(1,025)
Provision for long service leave	1,780	(1,358)
	31,140	25,016
Movement in deferred tax liability	(477)	(500)
Income tax expense	30,663	24,516
Deferred tax asset		
Accrued expenses	242	221
Provision for holiday pay	3,921	2,270
Provision for long service leave	6,762	5,244
	10,925	7,735
Deferred tax liabilities		
Accrued interest	951	1,665
	951	1,665

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Provisions		
Current		
Annual leave	13,759	7,569
Long service leave	14,032	9,552
	27,791	17,121
Non - current		
Long service leave	9,694	7,928
Average number of employees	8	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	326,323	404,684
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Note 6. Cash flow information

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

Operating profit / (loss)	66,722	63,928
Non-operating cash flows in operating results		
Depreciation	15,126	8,121
Amortisation	14,513	14,513
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(2,084)	593
Increase / (Decrease) in payables	23,635	(2,873)
Increase / (Decrease) in provisions	12,436	(8,166)
Increase / (Decrease) in tax payable	8,563	(21,205)
(Increase) / Decrease in deferred tax assets	(2,966)	2,384
Increase / (Decrease) in deferred tax liabilities	451	500
Net cash provided by operating activities	136,395	57,795

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

	2016 \$	2015 \$
Note 9. Accumulated profits / (losses)		
Accumulated profit at the beginning of the financial year	294,623	262,225
Net profit after income tax	66,722	63,928
Less dividends paid	(48,810)	(31,530)
Accumulated profit / (loss) at the end of the financial year	312,535	294,623

Note 10. Dividends paid on ordinary shares

Franked dividends	48,810	31,530
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(9 cents per share for 2016, 6 cents per share for 2015)

Note 11. Franking credit balance

Franking account balance as at the end of the financial year	195,511	187,093
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Note 12. Company details

The registered office of the company is 82 Smith Street, WARRAGUL Victoria.

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

Note 13. Intangibles

Franchise Fee at cost	72,563	72,563
Less Amortisation	(37,693)	(23,180)
	34,870	49,383

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	66,722	63,928
Weighted average number of shares for basic and diluted earnings per share	532,850	532,850

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			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets										
Cash at bank	3.1	3.1	103,633	194,800	222,690	209,883	-	-		
Receivables									78,920	76,836
Total financial assets			103,633	194,800	222,690	209,883	-	-	78,920	76,836
Financial liabilities										
Payables									26,021	23,731
Total financial liabilities									26,021	23,731

(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.

(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 Trafalgar & District Financial Services Limited, declare that:

- (1) The financial statements and notes, as set out on pages 15 to 25 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 2016 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 this 23 day of September 2016

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