



Annual Report 2017

Trafalgar & District
Financial Services Limited

ABN 86 102 573 222

Trafalgar & District **Community Bank**[®] Branch

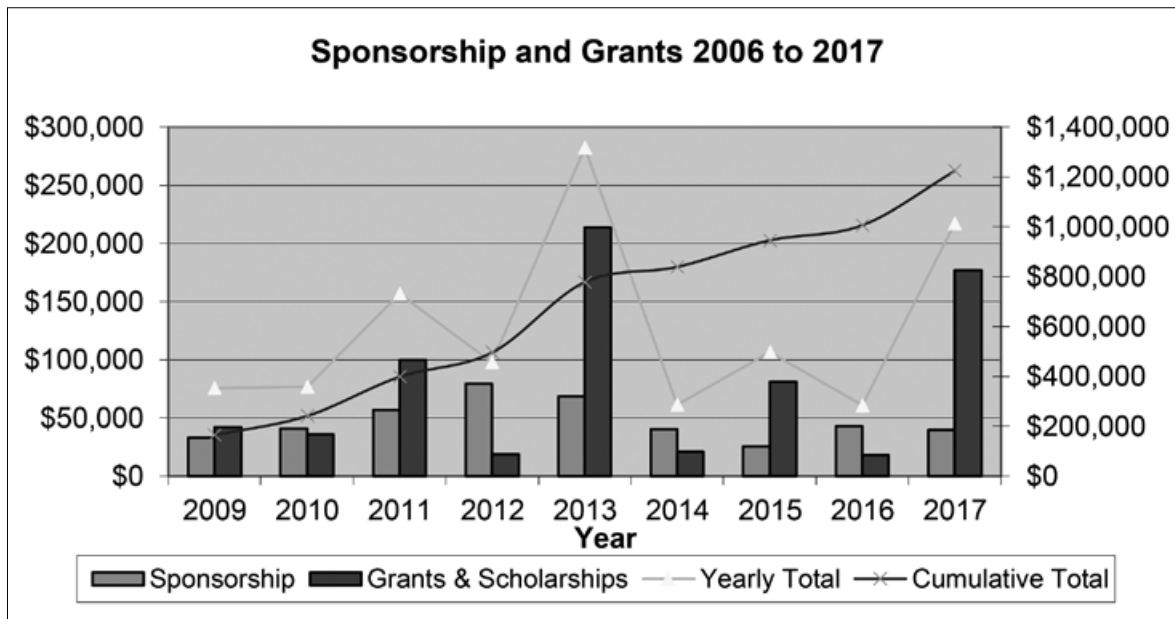
Contents

Chairman's report	2
Manager's report	4
Bendigo and Adelaide Bank report	5
Committee report	6
Directors' report	9
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	25
Independent audit report	26

Chairman's report

For year ending 30 June 2017

It gives me great pleasure to present my first Annual Report as Chairman of Trafalgar & District Financial Services Limited and announce that in all our years of operation we have returned \$1.223 million to the local community. 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 branch business increased by \$5.994 million to finish the year with an overall balance of \$127.649 million of funds under management. Income from branch operations remained stable this financial year, whilst expenses increased by approximately 5% from 2016. The bulk of the increased expense is from employee benefit expenses and I am pleased to say we were able to reduce our occupancy and general administration costs for the year.

In December 2016 we moved our administration office to Yarragon in order to consolidate and reduce our rental expenses. We use the new office to conduct all of our monthly Board and committee meetings as well as the day-to-day administration of the company.

At the end of June, the Board transferred \$40,000 to the Community Enterprise Foundation™ as a pre-tax contribution. After the success of our grants round in 2016/17 the Board believes it important to continue setting aside funds so that we can invest in significant local projects in the future.

A further round is planned for 2017/18 financial year to assist local students with their higher education costs through our scholarship funding round. This year our scholarships, which help with the cost of books and living expenses to local students attending university, totalled \$18,000. This brings the total awarded in scholarships to \$82,000 since 2012.

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 2017.

Investment in the local community continued this year with \$235,152 being returned to the local community through sponsorship (\$39,880), scholarships (\$18,000) and grants (\$144,422) and Youth Foundation (\$32,850).

Chairman's report (continued)

At the end of June, the Trafalgar & District Youth Foundation have so far included the submission of a grant application from Trafalgar High School / Gym and Sports Equipment, approved for the total sum of \$15,000, and the successful delivery of a grant towards the Theatrecraft Youth Unlimited Summer Theatre Program and rendition of Caryl Churchill's 'Love and Information', performed at the Trafalgar Public Hall to the sum of \$17,850.

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. This year we welcomed Vanessa Donald to the team. Vanessa is filling in for Tiffany, while Tiffany is on maternity leave.

I would like to thank Phil, Sharon, Tiffany, Gavin, Christie, Kate and Vanessa for their service and teamwork which is the key to our continued success. Many thanks also for their efforts over and above the usual banking duties. Furthermore I wish to congratulate Christie and Gavin for being the Regional Victorian winners of the 'Being Bigger Bendigo Moment', which is a customer service award in recognition for outstanding service.

Following the retirement of John Richardson in May, I welcome to the Board, Libby Dummett who commenced as a Director in July 2017. We were able to increase the number of sub-committees to include Information Technology and Communications. I also wish to thank Michael Dempsey, Stephen Peterson and Grant Coulthard for their time and contribution to our organisation. I wish to single out the Deputy Chair, Mrs Jane Coots, for her support and encouragement during my first year as Chair.

The Board is fortunate that its daily operations are handled by our competent and supportive staff, which reduces the workload of Directors. The Board would like to thank our staff, Claire, Michelle, Kirsty and Melanie 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, assisted by Bill den Hartog, Louise Gavros, Kathy Neumann and Karen Visser.

So, thank you to everyone mentioned above, but particular thanks must go to our customers and our shareholders. Without your support none of this would be possible, we are a small branch in a small town making a big difference.



Peter Starkey
Chairman

Manager's report

For year ending 30 June 2017

This year I am pleased to advise that the branch has increased its balance sheet by \$5.994 million to finish the year with an overall balance of \$127.649 million of funds under management. This includes a loan balance of \$52.095 million, deposit balance of \$62.009 million and off balance sheet business of \$13.545 million. This is a very pleasing 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 following the closure of the Hazelwood Power Station. Added to this has been the APRA requirements to tighten lending around residential investment loans further limiting our ability to grow our book. The result has been a challenging environment for the **Community Bank**[®] branch making this growth even more satisfying.

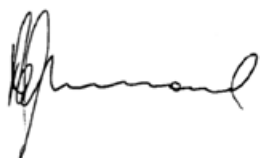
An important strategy for our business is to increase the number of customers from local communities who bank with us. This will be a continuing focus for us in

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. To this end we have entered an agreement with Dowton Park Recreation Reserve in Yarragon to provide funding to assist them with the development of the reserve based on the amount of business they refer to us.

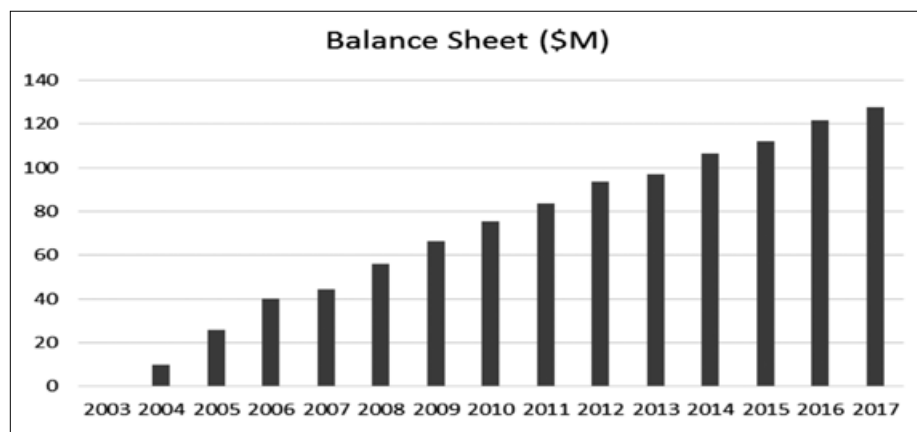
During the year we have continued to waive the majority of the establishment fees for new home loans which has involved refinancing from other financial institutions and new purchases in order to compete with the major discounting and cash back marketing of our competitors. We have also been supporting the introduction of new home loan products by Bendigo which reward 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, now known as Rural Bank. We have been wearing Rural Bank clothing every Friday as part of the campaign to make our customers aware of the connection between Rural Bank and the **Community Bank**[®] branch and broaden awareness that we can offer potential agribusiness customers in the area the best offering available whilst they support their local community through the **Community Bank**[®] branch. 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.

Staffing in the branch has been stable this year with the only change resulting from Tiffany Kokshoorn taking maternity leave and being replaced by Vanessa Donald. Staff who have worked in the branch during the year are Christie Ashe, Sharon Bowyer, Vanessa Donald, Phil Drummond, Gavin Duffy, Tiffany Kokshoorn, and Kate Westbury.



Phil Drummond
Branch Manager



Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**[®] branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**[®] funded centres.
- Continue their education thanks to a **Community Bank**[®] scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**[®] grant.
- Reap the environmental benefits of **Community Bank**[®] funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**[®] branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**[®] model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**[®] model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**[®] company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**[®] branches would be just another bank.



Robert Musgrove
Executive Engagement Innovation

Committee report

For year ending 30 June 2017

The company's four governance committees and three 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 2017).

Corporate Governance committees

Audit & Risk Committee

Stephen Peterson (Lead), Jane Coot, Grant Coulthard and Peter Starkey.

The Audit & Risk Committee met on four occasions during the 2016/17 financial year. The committee has continued to use the risk register to assess and manage risks to the company throughout the financial year. The committee has maintained a focus on ensuring that the company is governed by a robust and skilled Board to ensure continued stability and growth. The committee has also conducted a periodic review of the company constitution as well as a review of human resources and succession planning policy.

Evaluation of a new Bendigo and Adelaide Bank audit process in the branch has demonstrated that the branch team are compliant with all relevant policies.

Crisis Response Committee

Peter Starkey (Lead), Jane Coots 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. We are responsible for the preparation of the annual budget, along with monitoring both income and expenses against it, during the year.

The upcoming year will see our continued focus on controlling expenses, while implementing strategies to increase our revenue base.

Low Volume Market

Stephen Peterson (Lead), Jane Coots, Peter Starkey and Melanie Jinnette.

The Low Volume Market Committee is responsible for the administration of Trafalgar and District Financial Services Limited shares trading. The committee met three times during the 2016/17 financial 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. The issue of 'close connection' to the community was re-evaluated in relation to certain share transactions at Committee level and was approved at Board level.

During the 2016/17 financial year, there were a total of 16 share transactions. There were a total of 313 shareholders as at 30 June 2017.

Committee report (continued)

Operational committees

Marketing & Sponsorship Committee

Jane Coots (Lead), Michael Dempsey, Phil Drummond, John Richardson, Peter Starkey.

The Marketing & Sponsorship Committee was responsible for the company's sponsorship program. The Trafalgar & District **Community Bank**[®] Branch distributed a total of \$39,880 to the following community organisations in the form of sponsorship, this financial year.

The Trafalgar & District **Community Bank**[®] Branch Student Scholarship Program supported nine students to pursue higher education opportunities with scholarships of \$2,000 each. This brings the total awarded in scholarships to \$82,000 since 2012.

To date an amount of \$1.223 million has been returned to the local communities of Trafalgar and surrounding districts through sponsorship, grants (including Youth Foundation) and scholarships since 2003.

Organisation funded	\$
Baw Baw Arts Alliance	350
Darnum-Ellinbank Fire Brigade	1,000
Dowton Park Reserve Committee	10,000
Gippsland Greenkeepers & Bowlers*	300
Hill End Grove Rovers Football & Netball Club	7,000
Hill End Grove Rovers Junior Football Club	280
Lions Club of Trafalgar	1,500
Tanjil Valley Art Show	2,500
Thorpdale Football & Netball Club	4,000
Thorpdale Potato Festival	2,000
Trafalgar & District Probus Club	600
Trafalgar Polo Cross Club	3,000
Trafalgar Scout Group	1,700
Walhalla Board of Management	1,550
Walhalla Goldfields Railway	1,000
Willow Grove Primary School*	600
Yarragon Cricket Club	2,500
TOTAL	39,880

Committee report (continued)

Youth Foundation

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

In the 2016/17 financial year, Kirsty and the Youth Foundation Sub-Committee have focused on successfully delivering grants, generating appropriate publicity in the Traf News and local newsletters, as well as developing stronger relationships with key philanthropic and youth organisations within the community.

The project highlights of 2016/17 have so far included the submission of a grant application from Trafalgar High School / Gym and Sports Equipment, approved for the total sum of \$15,000, and the successful delivery of a grant towards the Theatrecraft Youth Unlimited Summer Theatre Program and rendition of Caryl Churchill's 'Love and Information', performed at the Trafalgar Public Hall to the sum of \$17,850.

In the 2017/18 financial year, the Youth Foundation aspire to further grant opportunities with the local Trafalgar Boxing Gym, Trafalgar Scouts Group, Trafalgar High School/**Community Bank** Mural Project, Tanjil Valley Art Show youth participators, Yarragon Skatepark Committee and Theatrecraft Youth Unlimited.

The Youth Foundation reputation has been grown through a multifaceted approach to communicating and promoting the services available to young people. This has been achieved through maintaining a constant presence at numerous networking events including the Tanjil Valley Arts Show, participation in the Trafalgar Arts and Crafts Market, the **Community Bank**[®] branch Presentation Evening and the development of marketing collateral.

In the 2017/18 financial year, the Youth Foundation aspires to re-develop a stronger online presence, as well as maintaining a steady delivery of grants to youth projects, furthering opportunities to sustain a consistent presence within local media and philanthropic networks within the community.

IT & Communications Committee

Michael Dempsey (Lead), Jane Coots, Kirsty Le Boeuf and Peter Starkey.

The IT & Communications Committee met five times during the 2016/17 financial year. The committee considered and approved updating IT equipment for the administration office and staff and also reviewed the Trafalgar & District Financial Services Limited web page. The committee considered to whether the company should continue hosting the page.

Our Youth Foundation Facilitator, Kirsty Le Boeuf has studied Professional Communications at RMIT with a major in Public Relations/Advertising and Literature/Philosophy. She was asked to join the IT & Communications Committee to work with Michael Dempsey in updating and collating the TDFSL web page.

Directors' report

For the financial year ended 30 June 2017

The Directors present their report on the company for the financial year ending 30 June 2017.

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

Peter Starkey

Peter was appointed Director on the 15 October 2015 and was appointed Chairman on 17 November, 2016, having held the position of deputy Chairman since June, 2016. He has over 16 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 is the lead of the Youth Foundation Committee and serves on all Committees in an ex-officio capacity.

Jane Coots

Jane was appointed Director on 3 November 2011 and re-elected on 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 the lead of the member of all the Marketing & Sponsorship Committee as well as a member of the Finance, Audit & Risk and IT & Communication Committees. Jane was appointed as the Deputy Chairman in November, 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 of 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 on 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 completed the Gippsland Community Leadership Program. Grant is the lead of the Finance Committee, as well as a member of the Audit & Risk 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. John resigned his Directorship on 25 May, 2017.

Michael Dempsey

Michael was appointed Director on the 25 August, 2016. He has extensive managerial/supervisory experience in a range of industries, along with experience in training and management of personnel. Michael is a past Committee member of both the Hill End and Grove Rovers Football/Netball Club and the Willow Grove Lions Club. Currently, he is a Committee member of the Tanjil Valley Art Show. Michael is the Lead Director of the IT Committee as well as a member of the Marketing & Sponsorship and Youth Foundation Committees.

Directors' report (continued)

1. The Directors in office at any time during or since the end of the year (continued)
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 \$65,756 (2016: \$66,722)
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.
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	11
Stephen Peterson	2014	14	11
Grant Coulthard	2015	14	10
Peter Starkey	2015	14	14
John Richardson*	2016	12	9
Michael Dempsey	2016	13	12

* John Richardson resigned on 25 May 2017.

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 Audit Pty Ltd

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

A handwritten signature in black ink, appearing to be 'Peter Starkey', with a long horizontal stroke extending to the right.

Peter Starkey
Chairman

Date: 21 September 2017

Auditor's independence declaration



Accountants and Advisors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Trafalgar & District Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

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

KIDMANS PARTNERS AUDIT PTY LTD

A handwritten signature in black ink, appearing to read 'John Petridis', written over a horizontal line.

**JOHN PETRIDIS
DIRECTOR**

Dated: 25th Sept 2017

Kidmans Partners Audit Pty Ltd

Suite 4, 255 Whitehorse Road, Balwyn,
Victoria, Australia 3103

Postal Address: P.O. Box 718, Balwyn,
Victoria, Australia 3103

T (613) 9836 2900 F (613) 9836 5233 ABN 46 143 986 841 www.kidmanspartners.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue			
Income from operations		872,663	806,299
Interest received		6,068	6,569
Loss on disposal of NCA		(5,617)	-
Total revenue		873,114	812,868
Expenses			
Employee benefit expenses		509,555	474,195
Depreciation		17,775	15,126
Amortisation of franchise fee		14,512	14,513
General administration		99,486	100,375
Leasing costs		14,119	14,167
Audit services		1,750	1,600
Advertising and promotion		16,405	12,790
Marketing and sponsorships		44,066	45,574
Occupancy costs		46,639	49,658
Total expenses		764,307	727,998
Profit before market development		108,807	84,870
Market development grants		25,000	50,000
Donation - cef		(42,105)	(40,000)
Profit before income tax		91,702	94,870
Income tax expense/(benefit)	3	25,946	28,148
Profit/(loss) for the year		65,756	66,722
Other comprehensive income		-	-
Total comprehensive income for the year		65,756	66,722
Earnings per share (cents per share)			
- basic earnings per share (cents)		12.34	12.52
- diluted earnings per share (cents)		12.34	12.52

These financial statements should be read in conjunction with the accompanying notes.

Financial statements (continued)

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	317,654	326,323
Trade and other receivables		84,755	78,920
Tax assets		8,683	-
Other		3,502	3,337
Total current assets		414,594	408,580
Non-current assets			
Intangibles	13	20,358	34,870
Property, plant & equipment	2	670,749	668,538
Deferred tax asset	3	13,305	10,925
Total non-current assets		704,412	714,333
Total assets		1,119,006	1,122,913
Liabilities			
Current liabilities			
Interest bearing liabilities		(5,976)	73
Trade and other payables		67,143	74,967
Tax liabilities		-	6,675
Provisions	4	37,839	27,791
Total current liabilities		99,006	109,506
Non-current liabilities			
Interest bearing liabilities		139,339	157,377
Deferred tax liability	3	7,847	951
Provisions	4	9,694	9,694
Total non-current liabilities		156,880	168,022
Total liabilities		255,886	277,528
Net assets		863,121	845,385
Equity			
Contributed equity		532,850	532,850
Accumulated profits	9	330,271	312,535
Total equity		863,121	845,385

These financial statements should be read in conjunction with the accompanying notes.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	532,850	312,535	845,385
Total comprehensive income for the year	-	65,756	65,756
Transactions with owners in their capacity as owners:			
Shares issued during the year	-	-	-
Dividends recognised for the year	-	(48,020)	(48,020)
Balance at 30 June 2017	532,850	330,271	863,121
Balance at 1 July 2015	532,850	294,623	827,473
Total comprehensive income for the year	-	66,722	66,722
Transactions with owners in their capacity as owners:			
Shares issued during the year	-	-	-
Dividends recognised for the year	-	(48,810)	(48,810)
Balance at 30 June 2016	532,850	312,535	845,385

These financial statements should be read in conjunction with the accompanying notes.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		866,828	804,215
Payments to suppliers and employees		(750,804)	(634,804)
Interest received		6,068	6,569
Gst paid		3,730	(15,597)
Income tax paid		(36,788)	(23,988)
Net cash provided by operating activities	6	89,033	136,395
Cash flows from investing activities			
Payments for property, plant and equipment		(25,603)	(148,710)
Net cash flows used in investing activities		(25,603)	(148,710)
Cash flows from financing activities			
Repayment of borrowings		(24,087)	(17,236)
Dividends paid		(48,012)	(48,810)
Net cash used in financing activities		(72,099)	(66,046)
Net decrease in cash held		(8,669)	(78,361)
Cash and cash equivalents at beginning of year		326,323	404,683
Cash and cash equivalents at end of year	5	317,654	326,323

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, 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 2017 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 2017, 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) 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%

(d) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) 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).

(f) 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 statement of financial position 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.

(g) 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.

(h) Comparative figures

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

(i) 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.

(j) Employee benefits

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) Income tax

Deferred income tax is provided on all temporary differences at the reporting 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, 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.

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 reporting date.

(l) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting year 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.

(m) Provision for impairment of inventories

The Entity performs an annual assessment of the assets valuation to determine if there is a requirement for an Provision for Impairment. The provision for impairment assessment requires a degree of estimation and judgement.

	2017 \$	2016 \$
Property, plant and equipment at cost	812,682	808,833
Less provision for depreciation	(141,933)	(140,296)
	670,749	668,538

Note 2. Property, plant and equipment

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 2. Property, plant and equipment (continued)		
Reconciliation of written-down value of property, plant & equipment		
Balance at beginning of year	668,538	534,953
Additions	25,602	148,711
Loss on disposal of NCA	(5,617)	-
Depreciation expense	(17,775)	(15,126)
Balance at end of year	670,749	668,538

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 27.50%	25,946	28,148
Adjust for tax effect:		
Non-deductible permanent differences		
Change in Income Tax Rate - FITB	(383)	(398)
Change in Income Tax Rate - PDIT	33	26
Timing differences deductible when incurred		
Provision for holiday pay, accrued and prepaid expenses	1,583	1,583
Provision for long service leave	1,780	1,780
	28,960	31,140
Movement in deferred tax liability	(460)	(477)
Income tax expense	28,500	30,663
Deferred tax asset		
Accrued expenses	234	242
Provision for holiday pay	4,906	3,921
Provision for long service leave	8,165	6,762
	13,305	10,925
Deferred tax liabilities		
Accrued interest	963	951
Depreciation - acc v tax difference	6,884	-
	7,847	951

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Provisions		
Current		
Annual leave	17,842	13,759
Long service leave	19,997	14,032
	37,839	27,791
Non - current		
Long service leave	9,694	9,694
Average number of employees	9	8

Note 5. Cash and cash equivalents

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

Cash at bank	317,654	326,323
---------------------	----------------	----------------

Note 6. Cash flow information

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

Operating profit after tax	65,756	66,722
Non-operating Cash flows in operating results		
Depreciation	17,775	15,126
Amortisation	14,512	14,513
Loss on Sale of NCA	5,617	-
Changes in Assets and Liabilities		
(Increase) in receivables	(5,835)	(2,084)
(Decrease) / Increase in payables	(11,562)	23,635
Increase in provisions	10,048	12,436
(Decrease) / Increase in tax payable	(11,793)	8,563
(Increase) in deferred tax assets	(2,380)	(2,966)
Increase in deferred tax liabilities	6,896	451
Net cash provided by operating activities	89,033	136,395

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.

	2017 \$	2016 \$
Note 9. Accumulated profits		
Accumulated profit at the beginning of the financial year	312,535	294,623
Net profit after income tax	65,756	66,722
Less dividends paid	(48,020)	(48,810)
Accumulated profit at the end of the financial year	330,271	312,535

Note 10. Dividends paid on ordinary shares

Franked dividends (9 cents per share for 2017, 9 cents per share for 2016)	48,020	48,810
--	--------	--------

Note 11. Franking credit balance

Franking account balance as at the end of the financial year	209,327	195,511
--	---------	---------

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.

	2017 \$	2016 \$
Note 13. Intangibles		
Franchise Fee at cost	72,563	72,563
Less Amortisation	(52,205)	(37,693)
	20,358	34,870

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	65,756	66,722
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	
	2017	2016	2017	2016	Within 1 Year		1 to 5 Years		2017	2016
					2017	2016	2017	2016		
Financial assets										
Cash at bank	3.1	3.1	75,061	103,633	242,593	222,690	-	-		
Receivables									84,755	78,920
Total financial assets			75,061	103,633	242,593	222,690	-	-	84,755	78,920
Financial liabilities										
Payables									21,999	26,021
Total financial liabilities									21,999	26,021

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting 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.

Note 16. Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

Notes to the financial statements (continued)

Note 16. Current and non-current classification (continued)

A liability is classified as current when:

- it is either expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Note 17. Events after the reporting period

There are no other matter or circumstance that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the Entity's operations, the results of those operations, or the Entity's state of affairs in future financial years.

Note 18. New and amended standards adopted by the entity

The Entity has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Entity's financial statements for the annual year beginning 1 July 2016.

None of these amendments have had a significant impact on the Entity.

The Australian Accounting Standards Board issues new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Entity. The Entity has decided not to early adopt any new or amended pronouncements.

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018). These standards include revised recognition and derecognition requirements for financial instruments. This Standard is not expected to significantly impact the Entity.
- AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019). This standard replaces current accounting requirements for leases in AASB 117. Leases and related interpretations by introducing a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes include:
 - Recognition of a right-to-use asset and liability for all leases excluding short-term leases with less than 12 months of tenure and low-value asset leases
 - Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit and loss
 - Additional disclosure requirements

Transitional provisions will allow either retrospective application to comparatives or an adjustment to opening equity on the date of initial application. Although the adoption of AASB 16 will impact the Entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Directors' declaration

The Directors of Trafalgar & District Financial Services Limited, declare that:

- (1) The financial statements and notes, as set out on pages 13 to 24 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standards; and
 - (b) giving a true and fair view of the company's financial position as at 30 June 2017 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.



Peter Starkey
Director

Dated this 21 September 2017

Independent audit report



Accountants and Advisors

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 2017, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Members' Funds 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

Suite 4, 255 Whitehorse Road, Balwyn,
Victoria, Australia 3103

Postal Address: P.O. Box 718, Balwyn,
Victoria, Australia 3103

T (613) 9836 2900 F (613) 9836 5233 ABN 46 143 986 841 www.kidmanspartners.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Independent audit report (continued)

Audit Opinion

In our opinion the financial report of 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 2017 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



John Petridis
Director

Dated this 25th day of Sept, 2017

Trafalgar & District **Community Bank**[®] Branch
103a Princes Highway, Trafalgar VIC 3824
Phone: (03) 5633 2783 Fax: (03) 5633 2760

Franchisee: Trafalgar & District Financial Services Limited
PO Box 391, Trafalgar VIC 3824
Phone/Fax: (03) 5634 2745
ABN: 86 102 573 222
www.tdfs.net.au

www.bendigobank.com.au/trafalgar
(BNPAR17007) (07/17)



bendigobank.com.au

