

Trafalgar & District Financial Services Limited

ABN 86 102 573 222

2018 Annual Report

Trafalgar & District **Community Bank®** Branch



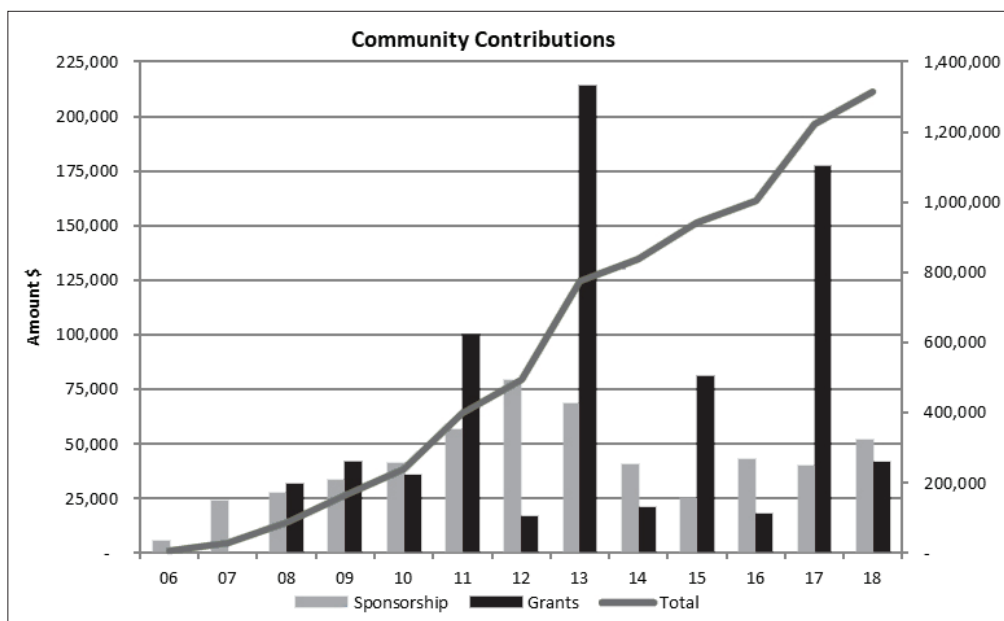
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Chairman's report

For year ending 30 June 2018

It gives me great pleasure to present my second Annual Report as Chairman of Trafalgar & District Financial Services Limited and announce that in all our years of operation we have returned \$1.315 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 \$1.883 million to finish the year with an overall balance of \$129.482 million of funds under management. Income from branch operations increased by 5% from 2017, whilst expenses remained steady even after large increases in marketing and sponsorship spending.

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 scholarship round is planned for 2018/19 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 \$22,000. This brings the total awarded in scholarships to \$104,000 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 2018. Earnings per share lifted to 17.81 cents per share from 12.34 cents per share in 2017. So even though we are paying out a dividend well above standard investment returns we are producing sufficient profit to ensure returns to shareholders are well and truly covered.

Investment in the local community continued this year with \$94,823 being returned to the local community through sponsorship (\$53,173) scholarships (\$22,000) and Youth Foundation (\$19,650). We continue setting aside funds to ensure community support remains into the future as we look to continue relationships with established local organisations and foster connections with new community associations.

Chairman's report (continued)

During the year, the Trafalgar & District Youth Foundation funded the Trafalgar Boxing Gym's 'Strengthening the Youth Program', for the amount of \$4,650, and the successful delivery of a grant towards the Theatrecraft Youth Unlimited Summer Theatre Program and rendition of Steph Clark and Didem Caia's, 'The Places You'll Go', performed at the Trafalgar Public Hall to the sum of \$15,000.

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 Shantelle Webb to the team. Shantelle was recruited after Board and management discussions about hiring a trainee to assist the delivery of high quality frontline services as the branch grows into the future. We also welcomed Tiffany back from maternity leave.

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

During the year we welcomed Christine Holland to the Board. As Chair I am fortunate to enjoy a professional and innovative Board and wish to thank Christine, Michael Dempsey, Libby Dummett, Stephen Peterson, Grant Coulthard and Deputy Chair, Jane Coots, for their continued volunteer work as Directors. Importantly we reviewed our strategic plan and the input of the Directors, management and Bendigo Bank will ensure a vibrant and pro-active bank branch within the community for many years to come.

The partnership with Bendigo and Adelaide Bank Limited continues to be both collaborative and supportive, assisted by Bill den Hartog and his replacement, Shannon Egan, and of course, Louise Gavros for her continued support and work with Phil to constantly improve our branch operations.

The Board is fortunate that its daily operations are handled by our competent and supportive staff, which reduces the workload of Directors. The Board has asked me 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.

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.

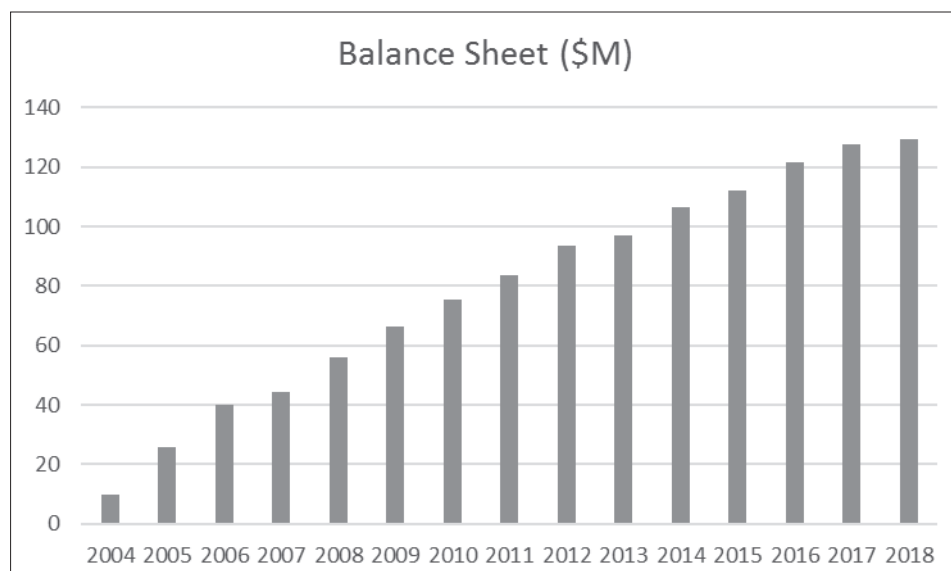


Peter Starkey
Chairman

Manager's report

For year ending 30 June 2018

This year I am pleased to advise that the branch has increased its balance sheet by \$1.883 million to finish the year with an overall balance of \$129.482 million of funds under management. This includes a loan balance of \$56.533 million, deposit balance of \$63.929 million and off-balance sheet business of \$9.020 million. This is a solid result under the circumstances. The very competitive banking and finance market at present has presented us with many challenges. Given this competitive environment, it has been very pleasing that we have been able to continue our growth. This has been as a result of providing competitive products and services together with our point of difference, being that our profits are deployed to benefit our community. It has been very pleasing that we have been able to continue to grow our business for the benefit of our community.



An important strategy for our business remains 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. We are also looking at building our relationship with local businesses as our product offering and competitiveness has improved significantly over the last 12 months.

During the year, we have had special offers available from time to time in response to heavy discounting and advertising from our competitors. This has resulted in a substantial amount of business moving from other financial institutions to the Trafalgar & District **Community Bank**[®] Branch which has not only proven to be beneficial to those customers, but to the community as a whole.

The branch has also been building its relationship with 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 Trafalgar & District **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 Trafalgar & District **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.

Manager's report (continued)



Staffing in the branch has been stable this year with the only change resulting from the departure of Sharon Bowyer after more than 10 years of service. Tiffany Kokshoorn returned from maternity leave and Shantelle Webb was added to the staff as a trainee. This is a deliberate strategy implemented by the Board to provide local people with the opportunity to commence a career in banking and finance as career opportunities for young people continue to be limited in the area. This strategy will continue to be implemented in 2018/19 with a new trainee to be appointed prior to Christmas 2018. Staff who have worked in the branch during the year are Christie Ashe, Sharon Bowyer, Vanessa Donald, Phil Drummond, Gavin Duffy, Tiffany Kokshoorn, Shantelle Webb and Kate Westbury.

Phil Drummond
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank®** branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.



Robert Musgrove
Bendigo and Adelaide Bank

Committee report

For year ending 30 June 2018

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 2018).

Corporate Governance Committees

Audit & Risk Committee

Stephen Peterson (Lead), Grant Coulthard, Phil Drummond, Libby Dummett and Christine Holland

The Audit & Risk Committee met on four occasions during the 2017/18 financial year. The Committee has continued to use the risk register to assess and manage risks to the company throughout the year. The Audit & Risk 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 2017/18 year has seen a focus on recruitment of new Directors as well as succession planning to ensure continuity of Board knowledge.

The Audit & Risk Committee oversaw branch compliance with the recently revised Bendigo Bank auditing process as well as continued focus on branch staff training and development.

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 reducing current debt while also reducing expenses.

Low Volume Market

Stephen Peterson (Lead), Jane Coots, Christine Holland 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 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.

RSD Chartered Accountants manage the LVM share registry and have introduced an online shareholder portal in the second half of 2017/18. This portal will provide easier access by the Committee and Board to shareholder information and allow for improved reporting.

There were a total of 314 shareholders as at 30 June 2018.

Committee report *(continued)*

Operational Committees

Marketing & Sponsorship Committee

Jane Coots (Lead), Michael Dempsey, Phil Drummond, Libby Dummett, Melanie Jinnette, Kirsty Le Boeuf and Peter Starkey

The Marketing & Sponsorship Committee was responsible for the company's sponsorship program. The Trafalgar & District **Community Bank**[®] Branch distributed a total of \$53,173 to the following community organisations in the form of sponsorship, this financial year.

Sponsorship for 2017/18	
Organisation	Total \$
Baw Baw Sustainability	550
Cloverlea Progress Association	2,500
Headway Gippsland	11,000
Hill End Grove Rovers Football & Netball Club	300
Mt Baw Baw Scouts Association	1,000
Tanjil Valley Art Show	2,500
Thorpdale & District Bowling Assoc	300
Traf News Incorporated	2,389
Trafalgar & District Probus	400
Trafalgar Boxing Gym	2,000
Trafalgar Football & Netball Club	9,357
Trafalgar High School	1,000
Trafalgar Holden Museum	1,600
Trafalgar Polo Cross Club	6,930
Walhalla Goldfields Railway	1,000
Warragul Gymnastics Club	1,000
West Gippsland Healthcare Group	1,009
Yarragon Bowling Club	550
Yarragon Cricket Club	2,500
Yarragon Football & Netball Club	2,750
Sundry Donations	438
Gippsland Greenkeepers & Bowlers	300
Yarragon Primary School	1,800
Total	53,173

The Trafalgar & District **Community Bank**[®] Branch Student Scholarship Program supported eleven students to pursue higher education opportunities with scholarships of \$2,000 each. This brings the total awarded in scholarships to \$104,000 since 2012.

To date, an amount of \$1.315 million has been returned to the local communities of Trafalgar and surrounding districts through sponsorship, grants (including Youth Foundation) and scholarships since 2003.

Committee report (continued)

Youth Foundation

Peter Starkey (Lead), Jane Coots, Michael Dempsey, Phil Drummond, Libby Dummett, Kirsty Le Boeuf (Youth Foundation Facilitator)

In the 2017/18 financial year, Kirsty and the Youth Foundation Sub-Committee have focused on maintaining a consistent, steady delivery of grants to youth-driven organisations within the community with a mind for generating and facilitating future grant opportunities.

Regular publications have been maintained in the Traf News in order to facilitate continued relationships and increased awareness of Youth Foundation opportunities for youth-oriented projects.

Successful grants were delivered to the Trafalgar Boxing Gym's 'Strengthening the Youth Program', as well as the Theatrecraft Youth Unlimited Summer Theatre Program.

In the 2018/19 financial year, the Youth Foundation aspire to further grant opportunities with the local Trafalgar Scouts Group, Trafalgar High School/**Community Bank**[®] branch Mural Project, the Trafalgar Anglican Church breakfast program, and Theatrecraft Youth Unlimited.

It is worth noting that throughout the 2017/2018 financial year, the Youth Foundation received a considerable increase in interest generated directly from youth-oriented community groups as well as individuals. As a result, the Youth Foundation seems to be positively growing in brand and local community awareness.

IT & Communications Committee

Michael Dempsey (Lead), Claire Anderson, Jane Coots, Kirsty Le Boeuf, Melanie Jinnette and Peter Starkey

The IT & Communications Committee met four times during the 2017/18 financial year. The Committee considered and approved updating IT equipment for administration staff.

The Committee considered and approved updating the Trafalgar & District **Community Bank**[®] Branch page on the Bendigo Bank web page and to close down the Trafalgar & District Financial Services Limited web page. This will be completed by the end of February 2019.

As a result of the update, a new grant/sponsorship application form has been designed for inclusion and a new page for the Youth Foundation was introduced.

Directors' report

For the financial year ended 30 June 2018

The Directors present their report on the company for the financial year ending 30 June 2018.

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 17 years of experience in diverse roles focusing on business management and the financial services industry. Peter 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 in 14 November 2014. She was elected as Chairman for a third term in 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 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 2017.

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 in 2016. Grant is the lead of the Finance Committee, as well as a member of the Audit & Risk Committee.

Michael Dempsey

Michael was appointed Director on 25 August 2016. He has extensive 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 (continued)

Libby Dummett

Libby was appointed Director on the 24 August 2017. Libby has over 15 years' experience in the not-for-profit, financial services, government and philanthropic sectors and is a currently part of the management team of Community Sector Banking. She holds a First-Class Honours Degree in Economics from Monash University and is a member of Australian Institute of Company Directors. Libby is a member of the Marketing & Sponsorship, Youth Foundation and Audit & Risk Committees.

Christine Holland

Christine was appointed Director on the 1 March 2018. Her background in governance and as a Director is extensive, spreading over many structures and industry profiles. She is a Fellow with AICD and presently serves on the Boards of West Gippsland Healthcare Group; West Gippsland Catchment Management Authority and Baw Baw Latrobe LEN. She is also a member of the Gippsland AICD Committee. Christine has been appointed to the Audit & Risk as well as Low Volume Market Committees. She holds a Masters in Career Development and works as a Career Consultant.

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 \$94,924 (2017: \$65,756).
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, 12 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	12	11
Stephen Peterson	2014	12	11
Grant Coulthard	2015	12	11
Peter Starkey	2015	12	11
Michael Dempsey	2016	12	6
Libby Dummett	2017	11	5
Christine Holland	2018	4	4

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 Audit Pty Ltd

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



Peter Starkey
Chairman

Date: 17 September 2018

Auditor's independence declaration



Accountants and Advisors

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

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

KIDMANS PARTNERS AUDIT PTY LTD

A handwritten signature in grey ink, appearing to read 'John Petridis'.

John Petridis
Director
Melbourne 18/9/2018

Kidmans Partners Audit Pty Ltd

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue			
Income from operations		915,235	872,663
Interest received		6,171	6,068
Loss on disposal of NCA		-	(5,617)
Total revenue		921,406	873,114
Expenses			
Employee benefit expenses		494,958	509,555
Depreciation		15,310	17,775
Amortisation of franchise fee		14,513	14,512
General administration		105,161	99,486
Leasing costs		15,990	14,119
Audit services		2,300	1,750
Advertising and promotion		30,371	16,405
Marketing and sponsorships		52,173	44,066
Occupancy costs		41,371	46,639
Total expenses		772,147	764,307
Profit before market development		149,259	108,807
Market development grants		25,000	25,000
Donation - CEF		(42,105)	(42,105)
Profit before income tax		132,154	91,702
Income tax expense/(benefit)	3	37,230	25,946
Profit/(loss) for the year		94,924	65,756
Other comprehensive income		-	-
Total comprehensive income for the year		94,924	65,756
Earnings per share (cents per share)			
- basic earnings per share (cents)		17.81	12.34
- diluted earnings per share (cents)		17.81	12.34

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	348,852	317,654
Trade and other receivables		65,370	84,755
Tax assets		-	8,683
Other		3,526	3,502
Total current assets		417,748	414,594
Non-current assets			
Intangibles	13	5,845	20,358
Property, plant & equipment	2	658,006	670,749
Deferred tax asset	3	11,240	13,305
Total non-current assets		675,091	704,412
Total assets		1,092,839	1,119,006
Liabilities			
Current liabilities			
Interest bearing liabilities		9,069	(5,976)
Trade and other payables		74,927	67,143
Tax liabilities		11,775	-
Provisions	4	18,866	37,839
Total current liabilities		114,637	99,006
Non-current liabilities			
Interest bearing liabilities		38,221	139,339
Deferred tax liability	3	8,885	7,847
Provisions	4	21,008	9,694
Total non-current liabilities		68,114	156,880
Total liabilities		182,751	255,886
Net assets		910,089	863,121
Equity			
Contributed equity		532,850	532,850
Accumulated profits	9	377,239	330,271
Total equity		910,089	863,121

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017	532,850	330,271	863,121
Total comprehensive income for the year	-	94,924	94,924
Transactions with owners in their capacity as owners:			
Shares issued during the year	-	-	-
Dividends recognised for the year	-	(47,956)	(47,956)
Balance at 30 June 2018	532,850	377,239	910,089
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

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		934,620	866,828
Payments to suppliers and employees		(756,544)	(750,804)
Interest received		6,171	6,068
GST paid		(2,784)	3,730
Income tax paid		(13,669)	(36,788)
Net cash provided by operating activities	6	167,794	89,033
Cash flows from investing activities			
Payments for property, plant and equipment		(2,567)	(25,603)
Net cash flows used in investing activities		(2,567)	(25,603)
Cash flows from financing activities			
Repayment of borrowings		(86,073)	(24,087)
Dividends paid		(47,956)	(48,012)
Net cash used in financing activities		(134,029)	(72,099)
Net increase/(decrease) in cash held		31,198	(8,669)
Cash and cash equivalents at beginning of year		317,654	326,323
Cash and cash equivalents at end of year	5	348,852	317,654

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

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 2018 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 2018, 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%
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(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 of 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.

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) Income Tax (continued)

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.

	2018 \$	2017 \$
Note 2. Property, plant and equipment		
Property, plant and equipment at cost	815,251	812,682
Less provision for depreciation	(157,245)	(141,933)
	658,006	670,749
Reconciliation of written-down value of property, plant & equipment		
Balance at beginning of year	670,749	668,538
Additions	2,567	25,602
Loss on disposal of NCA	-	(5,617)
Depreciation expense	(15,310)	(17,775)
Balance at end of year	658,006	670,749

Notes to the financial statements (continued)

	2018 \$	2017 \$
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%	37,230	25,946
Adjust for tax effect:		
Non-deductible permanent differences		
Change in income tax rate - FITB	- (383)	
Change in income tax rate - PDIT	- 33	
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
	40,594	28,960
Movement in deferred tax liability	285	(460)
Income tax expense	40,879	28,500
Deferred tax asset		
Accrued expenses	275	234
Provision for holiday pay	4,465	4,906
Provision for long service leave	6,500	8,165
	11,240	13,305
Deferred tax liabilities		
Accrued interest	970	963
Depreciation - acc v tax difference	7,915	6,884
	8,885	7,847

Note 4. Provisions

Current

Annual leave	16,236	17,842
Long service leave	2,630	19,997
	18,866	37,839

Non - current

Long service leave	21,008	9,694
Average number of employees	9	9

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	348,852	317,654
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Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 6. Cash flow information		
Reconciliation of cash flow from operations with operating profit / (loss)		
Operating profit after tax	94,924	65,756
Non-operating cash flows in operating results		
Depreciation	15,310	17,775
Amortisation	14,513	14,512
Loss on Sale of NCA	-	5,617
Changes in assets and liabilities		
Decrease(increase) in receivables	19,385	(5,835)
(Decrease) / increase in payables	10,568	(11,562)
(Decrease)/increase in provisions	(7,659)	10,048
(Decrease) / increase in tax payable	17,650	(11,793)
Decrease/(increase) in deferred tax assets	2,065	(2,380)
Increase in deferred tax liabilities	1,038	6,896
Net cash provided by operating activities	167,794	89,033

Note 7. Related party transactions

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

No transactions with related entities.

Note 8. Segment reporting

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

	2018 \$	2017 \$
Note 9. Accumulated profits		
Accumulated profit at the beginning of the financial year	330,271	312,535
Net profit after income tax	94,924	65,756
Less dividends paid	(47,956)	(48,020)
Accumulated profit at the end of the financial year	377,239	330,271

Note 10. Dividends paid on ordinary shares

Franked dividends	47,956	48,020
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(9 cents per share for 2018, 9 cents per share for 2017)

Notes to the financial statements (continued)

	2018 \$	2017 \$
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Note 11. Franking credit balance

Franking account balance as at the end of the financial year	210,148	209,327
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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	(66,718)	(52,205)
	5,845	20,358

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	94,924	65,756
Weighted average number of shares for basic and diluted earnings per share	532,850	532,850

Note 15. Financial instruments

	Effective interest rate		Floating interest rate		Fixed interest rate				Non interest bearing	
					Within 1 year		1 To 5 years			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets										
Cash at bank	2.37%	3%	83,340	75,061	262,740	242,593	-	-		
Receivables									65,370	84,755
Total financial assets			83,340	75,061	262,740	242,593	-	-	65,370	84,755
Financial liabilities										
Loan	7.05%	7.05%	38,221	139,348						
Payables									30,445	21,999
Chattel mortgage liabilities	7.4%	0%			8,665	-				
Total financial liabilities			38,221	139,348	8,665	-	-	-	30,445	21,999

Notes to the financial statements (continued)

Note 15. Financial instruments (continued)

(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.

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 2018 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.

Directors' declaration

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

- (1) The financial statements and notes, as set out on pages 14 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 2018 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 17 September 2018

Independent audit report



Accountants and Advisors

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

Opinion

We have audited the financial report of Trafalgar & District Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Kidmans Partners Audit Pty Ltd

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Independent audit report (continued)



Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR & DISTRICT FINANCIAL SERVICES LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Company determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Independent audit report *(continued)*



Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR & DISTRICT FINANCIAL SERVICES LIMITED (CONTINUED)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Kidmans Partners Audit Pty Ltd
ABN: 46 143 986 841

A handwritten signature in black ink, appearing to read 'John Petridis', written over a light grey circular background.

John Petridis
Director

Dated 18th September 2018

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