

Trafalgar & District Financial Services Limited

ABN 86 102 573 222



2019 Annual Report



Trafalgar & District Community Bank Branch

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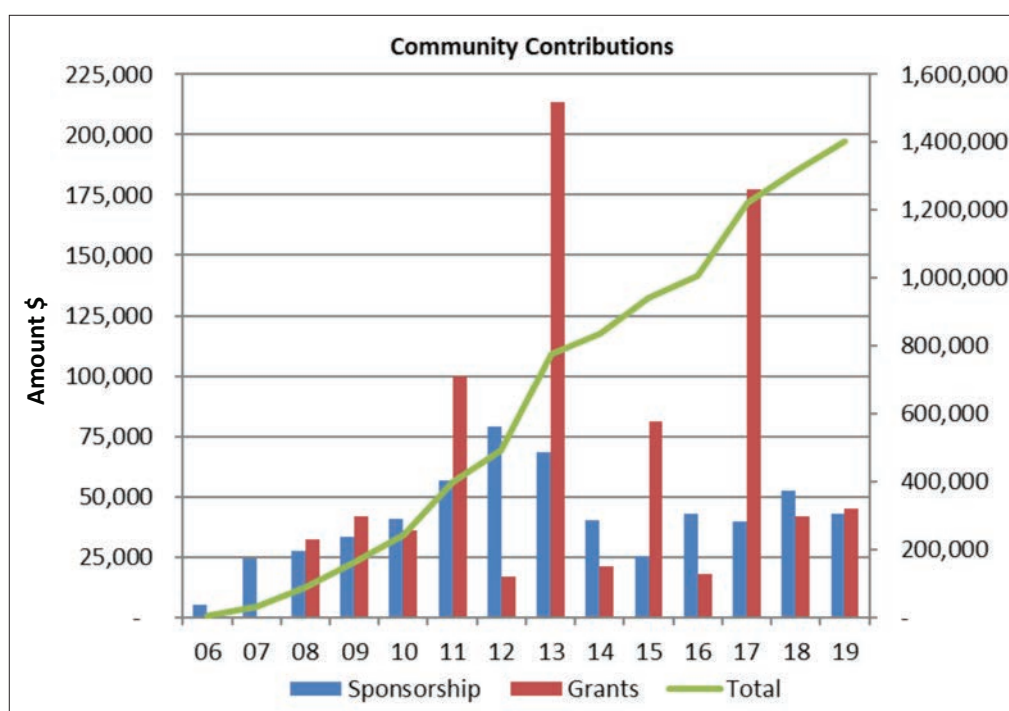
Chairman's report

For year ending 30 June 2019

As Chairman it is an honour to be presenting the 2018/19 Annual Report for Trafalgar & District Financial Services Limited (TDFS). This has been a year of change for the Board with the introduction of new Directors, and I acknowledge my colleagues Di Harrison, Debbie Di Sisto, Libby Dummett, Grant Coulthard, David Balfour and Darren Wallace and thank them for their commitment to the purpose of the organisation.

We are proud to be working with the Bendigo and Adelaide Bank Limited who are the fifth largest Australian Bank, the most trusted and with whom we partner to continue to improve the customer service experience.

During the past year TDFS has contributed a total of \$42,823 to the community through a range of sponsorships and \$45,000 through the grants program. \$105,263 was forward to the Community Enterprise Foundation™ as a pre-tax contribution. These funds will be invested into eligible projects within the grants program. We are proud of our record of contribution but are not complacent as we move into another year with plans to further strengthen our connection with the community.



The total value of branch business increased by \$10.78 million to finish the year with an overall balance of \$140.262 million of funds under management. An admirable result that is detailed in the Branch Manager's report.

The scholarship program will open again in 2019/20 and is aimed at assisting local students who are moving into post-secondary education with their costs. These costs include books, materials and general living expenses. To date the scholarship program has awarded a total of \$124,000 and supported 25 students from within the catchment.

The ongoing support of shareholders and customers has enabled the admirable results that are outlined in this report. The Board thanks you. Shareholders will again receive a fully franked dividend of 9c per share that will be paid on 29 November 2019. Earnings per share stand at 12.96 cents at year end.

Chairman's report (continued)

The results that are delivered through TDFS in the financial year 2018/19 are due to the dedication and effectiveness of the Branch Manager, Phil Drummond. He is tireless in his commitment to the branch and to the community. The Board thank him and his staff for their efforts in providing a very connected and valued service to customers which has significantly contributed to the financial success of the branch throughout the year. The closure of another big 4 bank in Trafalgar provided opportunity that was energetically addressed by the branch to ensure the community continued to have access to local banking services.

The Board expresses appreciation to Shannon Egan, former Regional Community Manager for Bendigo and Adelaide Bank Limited and more recently Kathy Neumann Regional Manager East Gippsland, for their support and assistance.

Unfortunately, we farewell Grant Coulthard from the Board and thank him for his work as Treasurer for the past four years. He will be missed but we wish him well in future pursuits. Michael Dempsey resigned earlier in the year for personal reasons and his contribution over a number of years is well recognised. The former Chairman, Peter Starkey, relocated to Melbourne for business reasons and at that time resigned his position. Stephen Peterson and Jane Coots submitted their resignations at the 2018 AGM. Thank you to these people for the value that they brought to TDFS during their tenure on the Board.

The Board are fortunate to be supported by very competent staff. Claire provides governance and organisational support to the Board and has an excellent overview of the entire business. Melanie is responsible for the sponsorship and grants programs as well as managing Low Volume Marketing.

Michelle has been our very efficient and capable Finance Officer but recently needed to resign due to the pressures of her career. She is replaced by Debbie Di Sisto who will be equally as capable in the role. Kirsty Le Boeuf resigned earlier in the year after providing excellent support for Youth Foundation programs. Personally, I thank these people for their support and assistance to me. The Board is also grateful in acknowledging the excellent work that they do.

It is with confidence that we progress through another year. Although we are in a period of low economic growth, we continue to flourish in our objectives to provide valued support to our community.

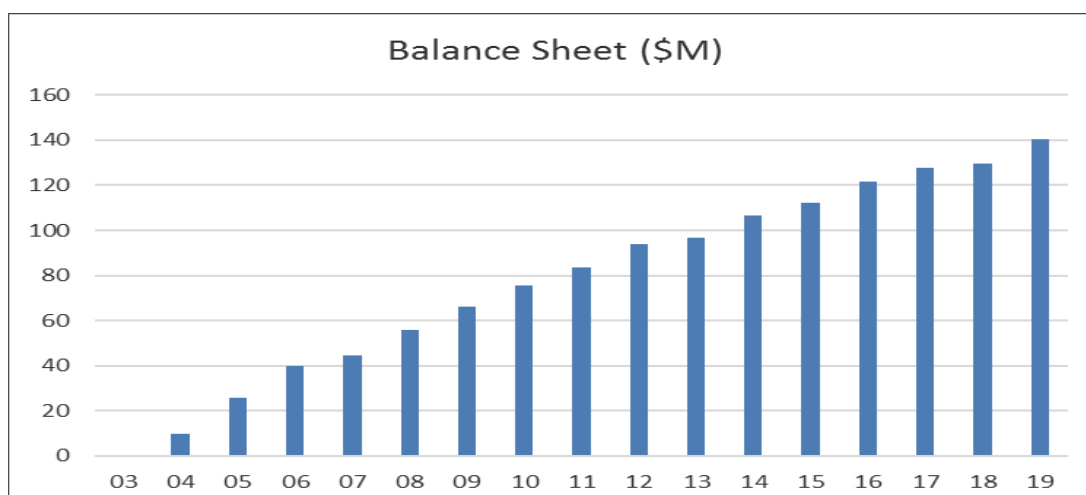


Christine Holland
Acting Chairman

Manager's report

For year ending 30 June 2019

This year I am pleased to report that the branch has increased its balance sheet by \$10.78 million to finish the year with an overall balance of \$140.262 million of funds under management. This includes a loan balance of \$61.400 million, deposit balance of \$69.072 million and off-balance sheet business of \$9.790 million. This is an outstanding result.



It's true to say that once a Trafalgar & District Community Bank Branch customer, always a Trafalgar & District Community Bank Branch customer. We value each and every one of our 3,264 customers and are looking forward to providing the same outstanding service and care to more and more members of our community who choose to bank with us.

Much of the growth in our business over the last 12 months is a result of the closure of another big 4 bank in Trafalgar in October 2018. It is also the result of the goodwill towards the Community Bank branch and the general uncertainty within the broader banking sector.

It is becoming evident that more and more customers are moving to digital banking. It's very pleasing that Bendigo and Adelaide Bank Limited is making this a priority and are already well ahead of the field when it comes to online offerings. That's great news for those who prefer not to come to the branch to do their banking business.

For those people who prefer to continue to do their business in the branch, with the assistance of competent and caring staff, they can rest assured that we are not going anywhere. We will continue to provide outstanding service in the branch and over the phone for those customers who prefer this way of banking.

In other developments, it's pleasing to advise that Bendigo and Adelaide Bank Limited completed a review of its business banking products and services in the latter part of the financial year. This review has resulted in more resources being available in this part of the business which has provided the Trafalgar & District Community Bank Branch with greater capacity to service the needs of the local businesses. This has already resulted in a number of local businesses bringing their banking to us and we trust that this trend will continue.

Some interesting statistics relating to the current profile of the branch are included below for the benefit of shareholders:

	2018/19
No of customers	3,264
Lending growth	\$4,867 million
Deposit growth	\$5.142 million
Other Business growth	\$770,636
Loan settlements	\$17.206 million
Products per customer	2.187


Manager's report (continued)

Shareholders will also be interested to know that Rural Bank services are also available through the Trafalgar & District Community Bank Branch. This ensures that we are one stop shop for the banking needs of our entire community thus providing all locals with the realistic choice of whether they want their banking to contribute to the growth and development of our community.

So, in order to continue to build this business for the benefit of our community, I am asking that all shareholders think about whether they want their banking to contribute to their community if it doesn't already. And I ask you to talk to your friends, families and neighbours about the same thing and ask them if they have considered moving their banking to Trafalgar & District Community Bank Branch to receive outstanding banking services and products and have their banking contribute to the growth and development of our community.

Staffing in the branch has remained stable this year with the only change resulting from the departure of Vanessa Donald. This enabled Shantelle Webb to be appointed as a permanent staff member after the completion of her traineeship. It also allowed us to continue with the annual traineeship program. Hayley Finegan commenced this traineeship with us in January this year.

Staff who have worked in the branch during the year are Christie Ashe, Phil Drummond, Gavin Duffy, Hayley Finegan, Tiffany Kokshoorn, Shantelle Webb and Kate Westbury.



Phil Drummond
Branch Manager



Trafalgar & District Community Bank Branch staff.

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Committee report

For year ending 30 June 2019

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 2019).

Corporate Governance Committees

Audit & Risk Committee

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

The Audit & Risk Committee met on four occasions during the 2018/19 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 2018/19 year has seen a focus on recruitment of 4 new Directors as well as succession planning to ensure continuity of Board knowledge.

Crisis Response Committee

Christine Holland (Lead) and Phil Drummond

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

Finance Committee Report

Grant Coulthard (Lead), Christine Holland 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.

Last financial year saw TDFS paying off it's mortgage on the branch premises.

Low Volume Market

Christine Holland (Lead) and Melanie Jinnette

The Low Volume Market Committee is responsible for the administration of the share trading for Trafalgar and District Financial Services Limited. The Committee met quarterly throughout the year to discuss and authorise requests for share sales and monitor the level of shareholders. Throughout the 2018/19 financial year there were 18 share transactions including sales and transfers. A review of the share registry is regularly conducted to ensure that there are not 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 that enables our shareholders to access information about their shareholdings including tax statements and share listings. This portal also provides the TDFS Board with ready access to shareholder trades, sales and transfers of holdings throughout the year.

If you would like to register for purchase or sale of shares please contact admin@tdfs.com.au for an invitation to be sent to you to register. Dividend statements will only be accessible through the portal for the 2019 dividend payment.

There were 310 shareholders with a total of 532,850 shares as at 30 June 2019.

Committee report (continued)

Operational Committees

Marketing & Sponsorship Committee

Libby Dummett (Lead), Phil Drummond, Christine Holland and Melanie Jinnette

The main objective of this Committee is to grow our business through engaging with and listening to our communities and investing in projects that have a positive impact for those communities. It is an important point of differentiation for our business to meaningfully contribute to the social capital of our communities.

The Committee oversees an active sponsorship program that seeks to provide significant funds to the various communities we support. Sponsorship carries with it, important marketing and advertising opportunities for growing our business.

Recently the website has been updated, working with the marketing team, the planning, developing and re-launching of a company website was an important achievement. The website enables us to engage with our online community.

Other important activities undertaken by the Committee include the sponsorship of the new security system at the Trafalgar Holden Museum Partnership, overseeing and implementing the student scholarship program for another three students undertaking tertiary education in 2019.

Some of the organisations that we have funded projects for in the past financial year include the following:

Sponsorship for 2018/19 Organisation	Total \$
Darnum Progress Association	1,875.00
Hill End Grove Rovers Junior Football Club	408.00
Rawson Primary School	405.90
Tanjil Valley Art Show	2,500.00
Thorpdale Football & Netball Club	1,600.00
Thorpdale Primary School	600.00
Trafalgar Boxing Gym	5,000.00
Trafalgar Country Fire Authority	666.00
Trafalgar Cricket Club	1,858.40
Trafalgar Golf Club	300.00
Trafalgar Holden Museum	10,000.00
Trafalgar Men's Shed	7,450.00
Trafalgar Polocrosse Club Inc.	5,000.00
Trafalgar Primary School	900.00
Trafalgar Probus Club	500.00
Total	39,063.30

Trafalgar & District Community Bank Branch is proud to have partnered with over 170 community groups and have contributed over \$1.3 million dollars back into our community since the bank's commencement in 2003. We have contributed to most community groups through sponsorships of local events and programs, such as performing arts for young school children, sporting groups for new equipment and local events that draw tourists to our community, thereby increasing the income of local business. We have also contributed to many of these organisations by the way of our grants program which has provided new facilities to sporting clubs and programs for our youth such as driver education, along with supporting our older citizens with grants to enable them to produce newsletters and run yearly events.

Committee report (continued)

We also provide student scholarships each year to the youth in our community, assisting them to be able to go to university or TAFE, to complete tertiary education in their chosen field. Each scholarship is for \$2,000 per year for a period of three years. We have contributed over \$120,000 in scholarships since the program commenced and have helped over 25 local young people to achieve their academic achievements. Each applicant's case is assessed by the Board of Directors and scholarships are awarded based on set criteria. Our scholarship program is run every year between November and February in conjunction with the Community Enterprise Foundation™, who are our affiliated partner.

Youth Foundation

Libby Dummett (Lead), Phil Drummond and Melanie Jinette

In the 2018/19 financial year, the Youth Foundation Sub-Committee have focused on building and maintaining new and existing relationships 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.

A successful grant was delivered to Theatrecraft Youth Unlimited Summer Theatre Program and we are currently working with the Trafalgar Scout group to secure a grant for them to purchase new camping equipment.

In the 2019/20 financial year, the Youth Foundation aspire to further grant opportunities with varied youth organisations across the Trafalgar and District area creating an opportunity for the youth of our community to engage in projects that are not only suited to them but are created and run by them.

It is worth noting that throughout the 2018/19 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 is meeting its objectives of a positive impact on young people and greater local community awareness.

IT & Communications Committee

Christine Holland (Lead), Claire Anderson and Melanie Jinnette

The IT & Communications Committee met three times during the 2018/19 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 closed down the Trafalgar & District Financial Services Limited web page earlier this year.

A new grant/sponsorship application form was designed for inclusion on the web page.

Directors' report

For the financial year ended 30 June 2019

The Directors present their report on the company for the financial year ending 30 June 2019.

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

Jane Coots

Jane was appointed Director on 3 November 2011 and re-elected in 14 November 2014. She was elected as Chairman for a third term 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 was 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. Jane resigned from the Board on 15 November 2018.

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 and Low Volume Market Committees.

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 was the lead of the Audit & Risk and Low Volume Market Committees. Stephen resigned from the Board on 15 November 2018.

Michael Dempsey

Michael was appointed Director on 25 August 2016. He was re-elected to the Board on 15 November 2018. 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. Michael resigned from the Board on 3 December 2018.

Libby Dummett

Libby was appointed Director on 24 August 2017. Libby has over 17 years experience in the not-for-profit, financial services, government and philanthropic sectors and is 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 also an independent Director of Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) located in Gippsland Victoria. Libby is the Lead Director of the Youth Foundation as well as a member of the Marketing & Sponsorship Committees.

Christine Holland

Christine was appointed Director on 1 March 2018 and was appointed Deputy Chair on 15 November 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 Lead Director of the Audit & Risk Committee as well as Low Volume Market Committee. She holds a Masters in Career Development and works as a Career Consultant.

Directors' report (continued)

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

Peter Starkey

Peter was appointed Director on 15 October 2015 and was appointed Chairman on 17 November 2016, having held the position of Deputy Chairman since June 2016 and re-appointed Chairman on 17 November 2017 and 15 November 2018. He has over 19 years of experience in diverse roles focusing on business management and the financial services industry. Peter is the lead of the Marketing & Sponsorship and the Low Volume Market Committees and serves on all committees in an ex-officio capacity. Peter resigned from the Board on 4 April, 2019.

Melanie Jinnette - Company Secretary

Melanie was appointed Company Secretary on 15 November 2018. Melanie completed an administration degree in 1992 after finishing VCE at Berwick Secondary College. She has continued to work in the administration field including working as office manager at StarFM and 3GG in Warragul. She also ran an event decorating company, Complete Occasions. Melanie currently works for the Department of Education in their Student Support Services branch. She works for Trafalgar and District Financial Services Ltd, providing administration support for the Board and is involved with the Low Volume Market, Marketing & Sponsorship and Youth Foundation committees.

Melanie is the President of the Warragul Gymnastics Club and is a qualified intermediate gymnastics judge.

Directors and officers 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 \$69,065 (2018: \$94,924).
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.

Directors' report (continued)

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, 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	5	4	(resigned 15 November 2018)
Grant Coulthard	2015	12	10	
Michael Dempsey	2016	5	2	(resigned 3 December 2018)
Libby Dummett	2017	12	10	
Christine Holland	2018	12	12	
Stephen Peterson	2014	5	4	(resigned 15 November 2018)
Peter Starkey	2015	8	7	(resigned 4 April 2019)

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.



Christine Holland
Chairman

Date: 26 September 2019

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 2019 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

Melbourne, 26 September 2019

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 2019

	Notes	2019 \$	2018 \$
Revenue			
Income from operations		943,859	915,235
Interest received		4,970	6,171
Total revenue		948,829	921,406
Expenses			
Employee benefit expenses		524,594	494,958
Depreciation		13,794	15,310
Amortisation of franchise fee		13,719	14,513
General administration		101,067	105,161
Leasing costs		9,563	15,990
Audit services		4,500	2,300
Advertising and promotion		23,023	30,371
Marketing and sponsorships		42,823	52,173
Occupancy costs		38,982	41,371
Total expenses		772,065	772,147
Profit before market development		176,764	149,259
Market development grants		25,000	25,000
Donation - cef		(105,263)	(42,105)
Profit before income tax		96,501	132,154
Income tax expense/(benefit)	3	27,436	37,230
Profit/(loss) for the year		69,065	94,924
Other comprehensive income		-	-
Total comprehensive income for the year		69,065	94,924
Earnings per share (cents per share)			
- basic earnings per share (cents)		12.96	17.81
- diluted earnings per share (cents)		12.96	17.81

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position as at 30 June 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	252,471	348,852
Trade and other receivables		68,234	65,370
Tax assets		6,629	-
Other		2,294	3,526
Total current assets		329,628	417,748
Non-current assets			
Intangibles	13	58,045	5,845
Property, plant & equipment	2	646,555	658,006
Deferred tax asset	3	13,663	11,240
Total non-current assets		718,263	675,091
Total assets		1,047,891	1,092,839
Liabilities			
Current liabilities			
Interest bearing liabilities		6,761	9,069
Trade and other payables		53,848	74,927
Tax liabilities		-	11,775
Provisions	4	42,028	18,866
Total current liabilities		102,637	114,637
Non-current liabilities			
Interest bearing liabilities		-	38,221
Deferred tax liability	3	9,201	8,885
Provisions	4	4,856	21,008
Total non-current liabilities		14,057	68,114
Total liabilities		116,694	182,751
Net assets		931,198	910,089
Equity			
Contributed equity		532,850	532,850
Accumulated profits	9	398,348	377,239
Total equity		931,198	910,089

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2019

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018	532,850	377,239	910,089
Total comprehensive income for the year	-	69,065	69,065
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 2019	532,850	398,348	931,198
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

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		940,995	934,620
Payments to suppliers and employees		(839,319)	(756,544)
Interest received		4,970	6,171
GST Paid		1,667	(2,784)
Income tax paid		(47,947)	(13,669)
Net cash provided by operating activities	6	60,366	167,794
Cash flows from investing activities			
Franchise fee renewal		(65,919)	-
Payments for property, plant and equipment		(2,343)	(2,567)
Net cash flows used in investing activities		(68,262)	(2,567)
Cash flows from financing activities			
Repayment of borrowings		(40,529)	(86,073)
Dividends paid		(47,956)	(47,956)
Net cash used in financing activities		(88,485)	(134,029)
Net increase/(decrease) in cash held		(96,381)	31,198
Cash and cash equivalents at beginning of year		348,852	317,654
Cash and cash equivalents at end of year	5	252,471	348,852

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2019

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 2019 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 2019, together with any public announcements made during the following year.

(b) Accounting policies

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

AASB 9 Financial Instruments

The company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. Financial assets (apart from Receivables) are measured at amortised cost where applicable. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the incorporated association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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 and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Revenue

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid in respect of services provided by employees up to the reporting date.

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.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects either the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) Income tax (continued)

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business and, at the time of the transaction, effects neither the accounting profit nor taxable profit or loss: and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

(n) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	2019 \$	2018 \$
Property, plant and equipment at cost	817,593	815,251
Less provision for depreciation	(171,038)	(157,245)
	646,555	658,006
Reconciliation of written-down value of property, plant & equipment		
Balance at beginning of year	658,006	670,749
Additions	2,343	2,567
Depreciation expense	(13,794)	(15,310)
Balance at end of year	646,555	658,006

Notes to the financial statements (continued)

	2019 \$	2018 \$
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%	26,538	36,342
Add:		
Non-deductible permanent differences		
Non-deductible entertainment	898	888
Income tax expense	27,436	37,230
Timing differences deductible when incurred		
Provision for holiday pay, accrued and prepaid expenses	511	1,583
Provision for long service leave	1,573	1,780
	2,084	3,364
Movement in deferred tax liability	87	-
Deferred tax asset		
Accrued Expenses	770	275
Provision for holiday pay	4,820	4,465
Provision for long service leave	8,073	6,500
	13,663	11,240
Deferred tax liabilities		
Accrued Interest	631	970
Depreciation - Acc v Tax difference	8,570	7,915
	9,201	8,885

Note 4. Provisions

Current

Annual leave	17,527	16,236
Long service leave	24,501	2,630
	42,028	18,866

Non - current

Long service leave	4,856	21,008
Average number of employees	9	9

Notes to the financial statements (continued)

	2019 \$	2018 \$
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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	252,471	348,852
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Note 6. Cash flow information

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

Operating profit after tax	69,065	94,924
Non-operating Cash flows in operating results		
Depreciation	13,794	15,310
Amortisation	13,719	14,513
Loss on sale of NCA	-	-
Changes in Assets and Liabilities		
Decrease (increase) in receivables	(2,864)	19,385
(Decrease) / increase in payables	(22,746)	10,568
(Decrease)/increase in provisions	7,010	(7,659)
(Decrease) / increase in tax payable	(15,505)	17,650
Decrease/(increase) in deferred tax assets	(2,423)	2,065
Increase in deferred tax liabilities	316	1,038
Net cash provided by operating activities	60,366	167,794

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

	2019 \$	2018 \$
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Note 9. Accumulated profits

Accumulated profit at the beginning of the financial year	377,239	330,271
Net profit after income tax	69,065	94,924
Less dividends paid	(47,956)	(47,956)
Accumulated profit at the end of the financial year	398,348	377,239

Notes to the financial statements (continued)

	2019 \$	2018 \$
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Note 10. Dividends paid on ordinary shares

Franked dividends (9 cents per share for 2019, 9 cents per share for 2018)	47,956	47,956
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Note 11. Franking credit balance

Franking account balance as at the end of the financial year	236,450	210,148
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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 107b Princes Highway, Yarragon, Victoria.

Note 13. Intangibles

Franchise Fee at cost	65,919	72,563
Less Amortisation	(7,874)	(66,718)
	58,045	5,845

Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	69,065	94,924
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	
	2019	2018	2019	2018	Within 1 Year		1 to 5 Years		2019	2018
					2019	2018	2019	2018		
Financial Assets										
Cash at Bank	2.30%	2.37%	70,980	83,340	181,495	262,740	-	-		
Receivables									68,234	65,370
Total Financial Assets			70,980	83,340	181,495	262,740	-	-	68,234	65,370
Financial Liabilities										
Loan		7.05%	-	38,221						
Payables	13.99%		414	-					9,627	30,445
Chattel Mortgage Liabilities	7.4%	7.4%			6,351	8,665				
Total Financial Liabilities			414	38,221	6,351	8,665	-	-	9,627	30,445

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 2019 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 10 to 25 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 2019 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



Christine Holland
Director

Dated this 26 September 2019

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 2019, 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 2019 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 2019 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.

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.

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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)

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.

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


John Petridis
Director

Melbourne, 26 September 2019

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