
Notice of Annual General Meeting

Tongala & District Financial Services Limited

A.B.N. 22 094 331 665

To be held at 8:00 p.m on 25/10/05

at The Golden Cow

Ordinary Business

1. Receipt of Annual Report

To receive the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2005

2. Election of directors

To consider, and if thought fit, to pass each of the following resolutions as an ordinary resolution.

- (a) That Suzi Cornwall be elected as a director of the Company.
- (b) That Rohan Garth be elected as a director of the Company.
- (c) That Jill Regan be elected as a director of the Company.

3. Appointment of auditor

To consider, and if thought fit, pass the following resolution as an ordinary resolution.

That the appointment of Richmond Sinnott & Delahunty as auditor of the Company be approved.

4. Remuneration Report

To consider, and if thought fit, pass the following resolution as an ordinary resolution.

That the remuneration report be adopted.

Special Business

5. Adoption of New Constitution

To consider, and if thought fit, pass the following resolution as a special resolution:

That the Constitution contained in the document submitted to the meeting marked 'A' and initialled by the Chairman for the purposes of identification be adopted as the constitution of the Company in substitution for and to the exclusion of the existing constitution of the Company.

Attending the meeting

All shareholders may attend the Annual General Meeting.

Joint holders: In the case of joint shareholders, all holders may attend the Meeting. If only one holder attends (including by proxy), that shareholder may vote at the Meeting as if that holder were solely entitled to the shares. If more than one joint holder is present (including by proxy), the joint holder whose name appears first in the register may vote.

Corporate shareholder: A corporate shareholder may appoint one or more persons to act as its representative under section 250D of the Corporations Act, but only one representative may exercise the corporate shareholder's powers at any one time. The Company requires written evidence of a representative's appointment to be given to the Company before the Meeting.

Proxy: If you are unable to attend the Meeting, you are entitled to appoint a proxy to attend and vote. See the attached Proxy Form for information on appointing a proxy.

Voting rights

Each shareholder is entitled to one vote.

For the purposes of voting at the Meeting, shares will be taken to be held by the persons who are registered as members as at 5:00 p.m on 30/09/2005

By order of the board

Jill Regan

Company Secretary

22/09/2005

A proxy form accompanies this Notice of Meeting. A member entitled to attend and vote at this meeting is entitled to appoint a proxy. The proxy need not be a member of the Company.

Explanatory Notes

This information has been included to assist you in making an informed decision about the resolutions proposed at the meeting.

Agenda item 2: Election of directors

The following information is provided about candidates for election to the Board.

- (a) Suzi Cornwall, having been appointed by the Board since the last annual general meeting, retires in accordance with the constitution of the Company, and being eligible, offers herself for election.
- (b) Rohan Garth retires by rotation in accordance with the constitution of the Company, and being eligible, offers himself for re-election.
- (c) Jill Regan retires by rotation in accordance with the constitution of the Company, and being eligible, offers herself for re-election.

Agenda item 3: Appointment of auditor

Item 3 is an ordinary resolution to seek your approval for the appointment of Richmond Sinnott & Delahunty as the Company's auditor.

The Board has received Richmond Sinnott & Delahunty's consent to act and written notice of Richmond Sinnott & Delahunty's nomination as auditor from a shareholder.

The appointment of Richmond Sinnott & Delahunty requires approval of shareholders under the *Corporations Act*.

Agenda item 4: Remuneration report

The Corporations Act requires a resolution that the remuneration report contained in the Company's annual report [and concise report] be adopted, be put to the vote. The resolution is advisory only and does not bind the directors of the Company.

Agenda item 5: Adoption of New Constitution

The Board has decided that the Company should adopt a new Constitution. The proposed new Constitution (**Proposed Constitution**) is based on the Company's existing constitution (**Existing Constitution**), though it has been updated and amended in certain key areas, as discussed in these Explanatory Notes.

The Proposed Constitution expressly acknowledges that the principal purpose of the Company is to enter into, and carry into effect, the franchise arrangements with Bendigo Bank Limited (**Bendigo Bank**) under the Community Bank[®] project, as well as any other arrangements with the Bendigo Bank group that Bendigo Bank may permit. The Board is expressly given the power to carry out this purpose and maintain and develop the relationship with Bendigo Bank. This, of course, acts as limit on the activities of the Company, but reflects the purpose for which the Company was established.

A copy of the Proposed Constitution and the Existing Constitution may be inspected at the Company's Registered Office during normal business hours or at the annual general meeting itself. Alternatively, upon request from a shareholder before the meeting, the Company Secretary will send a copy to you.

A discussion of the more significant changes to be effected by this Resolution is set out below.

Ownership Rules

As noted above, the Proposed Constitution expressly acknowledges the principal purpose of the Company. In addition, there is an express acknowledgement of the importance of broad community ownership of the Company and, accordingly, that the Board is authorised to exercise its powers and carry into effect the rules in the constitution to protect and enhance this broad community ownership.

In particular, the Existing Constitution contains a rule that, in general terms, prohibits a person from owning or controlling 10% or more of the Company. In the Proposed Constitution, this rule is maintained, and also expanded. In particular, under the Proposed Constitution, there are two new ownership rules in Rule 9.

- First, persons with voting power in the Company (eg, shareholders) must have, in the opinion of the Board, a close connection to the community or communities in which the Company predominantly carries on its business. For example, individuals who reside in Tongala, or a company with a registered office in Tongala that is owned and controlled by such individuals, would ordinarily be considered to have this close connection. Existing shareholders are all deemed to have this connection, but this deeming rule will not apply to new shareholders.
- Second, share transfers will not be permitted where, after the transfer, the number of shareholders in the Company would be less than the Base Number (being, 200) (the **Base Number Restriction**). The current number of shareholders in the Company is approximately 260.

To enforce the ownership rules in the Constitution, Directors have the power to require a divestment of shares where the rules are infringed. In addition, dividend and voting rights are suspended where the rules are infringed. While these rules impact on the freedom of shareholders to deal with their own shares, and so may impact adversely on the price of shares in the Company, these rules reflect the view that it is in the best interests of the Company and its business that there is broad local ownership of the Company.

Shareholders should note that the Base Number Restriction will only operate if the Bendigo Stock Exchange confirms that the rule is appropriate and equitable. Discussions with the Bendigo Stock Exchange are currently underway, and shareholders will be updated on any developments at the meeting. If Bendigo Stock Exchange does not confirm that the rule is appropriate and equitable, the Base Number Restriction will be of no effect and can be ignored.

Distribution for charitable purposes

In further recognition of the community nature of the Company, Rule 73(2) of the Proposed Constitution expressly authorises the Company to make payments, gifts or donations to charitable organisations or causes for the benefit of our community, having given due consideration to the rate of return to shareholders.

Changes to facilitate BSX Listing

The Proposed Constitution includes a number of amendments intended to facilitate the Company's listing on the Bendigo Stock Exchange (*BSX*), or another Australian stock exchange, or which are required to ensure compliance with the BSX Listing Rules. These amendments include changes that make it clear that where the Company is listed:

- a transfer of shares can be effected in accordance with the applicable transfer and settlement rules of the BSX and that, accordingly, the Company is authorised to do anything to participate in such a system (Rule 27);
- the Board's ability to refuse to register a transfer is restricted to certain limited situations (eg where expressly permitted to do under the BSX Listing Rules or where the Board does so to enforce the ownership rules discussed above) (Rules 28 and 28A);
- the transfer and settlement rules of the BSX Listing Rules take precedence in respect of the rules applying to transfers (Rules 29 and 31); and
- the BSX Listing Rules that apply to "restricted securities" (in general, these are securities that have been issued in exchange for an asset) are incorporated into the constitution (in particular, an escrow period may apply during which the securities cannot be transferred) (Rule 96).

Rotation of directors

The Existing Constitution already contains a rule requiring Directors to periodically stand for re-election. This rule is being updated under the Proposed Constitution.

Under Rule 62 of the Proposed Constitution, at every annual general meeting after the Company's first one, one third of the longest serving directors (other than the Managing Director) must retire from office, and no director (other than the Managing Director) can serve for longer than three years (or three annual general meetings, whichever is longer). However, a retiring director is

eligible for re-election. Further, persons who are appointed as Directors by the Board must retire at the next annual general meeting, but are eligible for re-election (Rule 52(2)) and an employee who is a Director must retire as a Director if they cease to be an employee, but are eligible for re-election as a Director (Rule 61).

The purpose of these Rules is to ensure that shareholders are regularly given the opportunity to vote on their Directors. Of course, persons who are not directors can stand for election as a Director, provided they comply with the nomination procedures in the Constitution.

Probity checks for directors

Given the nature of the business carried on by the Company, and the community nature of the Company, it is important that the Company is able to take all reasonable steps to satisfy itself of the integrity of its Directors. As part of this process, it has been decided that existing and prospective Directors should undergo reasonable probity checks as a condition of their appointment as Directors. This is set out in Rules 62 (6A), (6B) and (6C) of the Proposed Constitution.

Those rules require that a person nominated for appointment as a Director will need to undergo a probity check (primarily, a national criminal record check) in accordance with the Board's procedures. Existing Directors will need to undergo such a check within six months and all Directors can be required to undergo a further check every 12 months.

Miscellaneous changes

The Proposed Constitution also contains a range of other minor changes to reflect changes in law and in practice.

- the Proposed Constitution incorporates amendments necessary to recognise changes in law and terminology as result of the introduction of the *Corporations Act* (Cth) 2001 to replace the Corporations Law.
- the Proposed Constitution has been updated to allow shareholders to lodge a proxy at a specified electronic address where a notice of meeting provides for electronic lodgement.
- the Proposed Constitution expressly allows the Board to serve notices on shareholders in any way permitted by the Corporations Act (for example, the Corporations Act sets out a procedure for notifying a shareholder electronically that notices of meeting can be accessed electronically, where a shareholder has provided an electronic address for this purpose).