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# Chairman's report

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For year ending 30 June 2005

Hello and welcome to the 2005 Annual Report.

While Tongala has not been abundant in good news recently, with the continued drought and the announcement of job cuts at the Nestle factory, it is my absolute pleasure to break the trend and announce that your community company made a profit for the past financial year. This is a giant step for us and helps cement our future viability.

This profit has been achieved through a combination of community support, a hard working Board, and a tireless effort to promote our Tongala Community Bank® Branch by our Manager, Colin Wells and his dedicated staff. Our continued success still relies on the continued support of the community and I ask all shareholders to get behind the services on offer, as it is your community that will benefit.

Although relatively small in the Community Banking family we are quietly making our mark and are successfully implementing the full range of services on offer to our community. Over the next 12 months we are hoping to explore ways to enter into joint ventures with the other Community Bank® branches in our area. This helps stretch our dollar further while maintaining our separate entities.

Your board are looking to continue to build on the success that we have had to date and welcome any feedback from the shareholders. We are continuing our own training while documenting policies to help ensure future stability and direction.

We look forward to many more years of great news.



**Richard Herbert**  
**Chairman**

# Manager's report 30 June 2005

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Another financial year has passed and another AGM is upon us. This is always a time to review just where we are at and what has been achieved. We are currently sitting around \$34 million dollars in overall business, and have grown approximately \$8 million dollars during the last 12 months. Our \$34 million is made up of approx \$15 million in lending and \$19 million in deposits. I consider this to be a good result given the current economic conditions.

I know I have said it before, but I would like to state how confident I am that local conditions will turn and we will continue good growth as the season improves. I would anticipate this to be initially in the deposit side of our book, and then the loans should pick up as people gain confidence in their own long-term viability.

To have achieved a profit, no matter how small, is indeed a huge milestone for your Company, it just goes to show what people working together can achieve through harnessing their buying power. Remember we were told there was no profitability in staying in small communities, and all the larger banks left us. They acted under the illusion that as a community we had no choice but to accept their edicts. Our profit was achieved while still donating over \$7,000 to clubs and organisations in our district - not a bad result all things considered.

Our sustainability now looks assured and I again ask each and every shareholder to consider bringing all their banking business across to us. It is as simple as picking up the phone and asking for an appointment with me so we can be sure you are getting everything you need at no extra cost.

The major development this year of course was the provision of the complete range of Telco services through Tongala Community Bank® Branch. This has meant we have been able to have a concerted push for the last two to three months, and has resulted in approx 110 clients signed up for all their telephone and internet needs. The profit stream from this extra arm of our business is being diverted to the Tongala Aged Care service to fund a wheel chair access vehicle.

Now we are truly starting to make a difference to our small community and deliver long-term benefits to it, all this through the simple act of all buying from the one supplier. It is not just financial benefits that we are bringing to our community either, following the unfortunate death of Debra Perkins and the resultant public appeal, we were able to offer tax effective assistance, which meant all those donated dollars could go to the family, and tax deductible status for those who donated.

Moving forward, we will continue to build on our past successes, looking for ways to be innovative and relevant to our community, while maintaining that unique feature of our business, face-to-face service.

I have made the offer before and I make it again this year, if you are yet to experience our unique style of Banking and Telephone/Internet services, please contact us so that another year does not pass before you join the happy customers currently doing business with us. For those already doing business with us, thanks for your support, our bottom line is a direct result of that support, if you could continue to promote our business through positive comments this would also be greatly appreciated.

To the Staff and Board I would like to express my heartfelt thanks, we are a team and although I may be the captain, I am simply their representative in public. Their support and hard work is what has made us what we are today. A profitable Company with a bright outlook.



**Colin Wells**  
**Manager**

# Directors' report

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Your Directors submit the financial report of the company for the financial year ended 30 June 2005.

## Directors

The names and details of the company's directors who held office during or since the end of the financial year are:

### Richard Herbert

Chairman  
Baker

### Jill Regan

Director  
Farmer

### Michael Hare

Director  
Resources coordinator

### Ian Johnstone

Director  
Farmer

### Ken Chapman

Director  
Farmer

### Rohan Garth

Director  
Engineer

### Doug Kajewski

Director  
Retired

### Lance Tomkins

Director  
Farmer

Directors were in office for this entire year unless otherwise stated.

## Principal activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

## Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was \$9,591 (2004: (\$5,379)).

## Dividends

No dividends were declared or paid for the previous year and the directors recommend that a 2.5 cents per share dividend be paid in October 2005.

## Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

## Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

## Likely developments

The company will continue its policy of providing banking services to the community.

# Directors' report continued

## Directors' benefits

Other than detailed below, 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, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Ian Johnstone was paid \$7,550 (2004: \$5,200) by the company under normal terms and conditions for lease of a property owned by the director.

## Executive remuneration

	Primary Benefits Salary & Fees \$	Post Employment Superannuation \$	Other *	Total \$
Colin Wells (Branch Manager)				
2005	55,052	4,871	7,640	67,563
2004	47,377	4,223	2,547	54,147

\* Other payments represent the total of monthly car lease payments. This vehicle was used by the branch manager during the year.

## Indemnification and insurance of directors and officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Managers of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

## Company secretary

Jill Regan has been the company secretary of Tongala & District Financial Services Ltd since its inception. Over the last twenty years her occupation has been a dairy farmer.

## Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Ian Johnstone and Lance Tomkins;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Directors' report continued

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### Directors meetings

The number of Directors meetings attended by each of the Directors of the company during the year were:

**Number of meetings held 11.**

	No. attended
Richard Herbert	9
Jill Regan	11
Michael Hare	2
Ian Johnstone	10
Ken Chapman	10
Rohan Garth	6
Doug Kajewski	7
Lance Tomkins	6

# Financial statements

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## Statement of financial performance

For year ending 30 June 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	365,450	321,582
Salaries & employee benefits expense		(166,545)	(158,519)
Depreciation and amortisation expense	3	(41,295)	(40,660)
Administration and other expenses from ordinary activities		(148,019)	(127,782)
<b>Profit/(Loss) from ordinary activities before income tax expense</b>		<b>9,591</b>	<b>(5,379)</b>
Income tax expense relating to ordinary activities	4	- 0	- 0
<b>Profit/(Loss) from ordinary activities after income tax expense</b>		<b>9,591</b>	<b>(5,379)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>9,591</b>	<b>(5,379)</b>

# Financial statements continued

## Statement of financial position

As at 30 June 2005

	Note	2005 \$	2004 \$
<b>Current assets</b>			
Cash assets	6	73,696	15,789
Receivables	7	32,139	25,174
Other assets	8	2,583	7,132
<b>Total current assets</b>		<b>108,418</b>	<b>48,095</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	63,714	80,494
Intangible assets	10	10,916	35,431
<b>Total non-current assets</b>		<b>74,630</b>	<b>115,925</b>
<b>Total assets</b>		<b>183,048</b>	<b>164,020</b>
<b>Current liabilities</b>			
Payables	11	36,850	22,553
Interest bearing liabilities	12	6,597	5,913
Provisions	13	19,555	18,502
<b>Total current liabilities</b>		<b>63,002</b>	<b>46,968</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	12	26,358	32,955
<b>Total non-current liabilities</b>		<b>26,358</b>	<b>32,955</b>
<b>Total liabilities</b>		<b>89,360</b>	<b>79,923</b>
<b>Net assets</b>		<b>93,688</b>	<b>84,097</b>
<b>equity</b>			
Contributed equity	14	341,350	341,350
Accumulated losses	15	(247,662)	(257,253)
<b>Total equity</b>		<b>93,688</b>	<b>84,097</b>



# Financial statements continued

## Statement of cash flows

As at 30 June 2005

	Note	2005 \$	2004 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		398,427	325,684
Cash payments in the course of operations		(335,272)	(294,391)
Interest received		665	4
Interest expense		-	(64)
<b>Net cash flows from operating activities</b>	<b>16b</b>	<b>63,820</b>	<b>31,233</b>
<b>Cash flows from investing activities</b>			
Proceeds from property, plant and equipment		-	15,284
Payments for property, plant and equipment		-	(34,050)
<b>Net cash flows (used in) investing activities</b>		<b>-</b>	<b>(18,766)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	8,557
Repayment of borrowings		(5,913)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(5,913)</b>	<b>8,557</b>
<b>Net increase/(decrease) in cash held</b>		<b>57,907</b>	<b>21,024</b>
Add opening cash brought forward		15,789	(5,235)
<b>Closing cash carried forward</b>	<b>16a</b>	<b>73,696</b>	<b>15,789</b>

# Notes to the financial statements

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For year ending 30 June 2005

## 1. Summary of significant accounting policies

### **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on 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 accounting policies are consistent with the previous year.

### **Income tax**

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# Notes to the financial statements continued

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## 1. Summary of significant accounting policies (continued)

### Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

### Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/revaluation. All property, plant and equipment is depreciated using the prime cost method.

Class of asset	Depreciation rate
Furniture & Fittings	10%
Plant & Equipment	20-30%
Motor Vehicles	25%

### Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### Comparative figures

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

### Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

# Notes to the financial statements continued

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## **1. Summary of significant accounting policies (continued)**

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognized and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

### **Interest bearing liabilities**

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

### **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives, whereby the company will obtain ownership of the asset at the end of the lease period. Lease payments are allocated between the reduction of the lease liability and the lease expense for the period.

### **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### **Contributed capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

# Notes to the financial statements continued

	2005 \$	2004 \$
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## 2. Revenue from ordinary activities

### Operating activities

- services commissions	364,785	304,523
- proceeds from sale of fixed assets	-	17,055

<b>Total revenue from operating activities</b>	<b>364,785</b>	<b>321,578</b>
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### Non-operating activities:

- interest received	665	4
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Total revenue from non-operating activities	665	4
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<b>Total revenues from ordinary activities</b>	<b>365,450</b>	<b>321,582</b>
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## 3. Expenses

### Borrowing expenses:

- interest paid	-	64
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### Depreciation of non-current assets:

- plant and equipment	8,267	8,542
- motor vehicle	8,513	7,602

### Amortisation of non-current assets:

- intangibles	24,515	24,516
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Finance lease interest	4,037	2,694
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<b>Bad Debts</b>	<b>22</b>	<b>283</b>
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## 4. Income tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) from ordinary activities at 30%	2,877	(1,614)
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### Add tax effect of:

- Non-deductible expenses	3,118	7,465
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- Future income tax benefit not brought to account	-	-
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- Prior year tax losses not previously brought to account	(5,995)	(5,851)
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Income tax expense on operating loss	-	-
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# Notes to the financial statements continued

	2005 \$	2004 \$
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## 4. Income tax expense (continued)

### Income tax losses

Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:

55,733	61,728
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## 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the company	3,650	3,650
- Other services in relation to the company	450	450
	<b>4,100</b>	<b>4,100</b>

## 6. Cash assets

Cash assets	73,696	15,789
	<b>73,696</b>	<b>15,789</b>

## 7. Receivables

Trade debtors	32,139	25,174
	<b>32,139</b>	<b>25,174</b>

## 8. Other financial assets

Prepayments	2,583	7,132
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## 9. Property, plant and equipment

### Furniture & fittings

At cost	65,766	65,766
Less accumulated depreciation	(29,515)	(22,939)
	<b>36,251</b>	<b>42,827</b>

### Leased equipment

At cost	9,460	9,460
Less accumulated depreciation	(4,946)	(3,255)
	<b>4,514</b>	<b>6,205</b>

# Notes to the financial statements continued

	2005 \$	2004 \$
<b>9. Property, plant and equipment (continued)</b>		
<i>Leased motor vehicle</i>		
At cost	34,050	34,050
Less accumulated depreciation	(11,101)	(2,588)
	22,949	31,462
Total written down amount	63,714	80,494
<b>Movements in carrying amounts</b>		
<i>Furniture</i>		
Carrying amount at beginning of year	42,827	49,404
Additions	-	-
Disposals	-	-
Depreciation expense	(6,576)	(6,577)
<b>Carrying amount at end of year</b>	<b>36,251</b>	<b>42,827</b>
<i>Leased equipment</i>		
Carrying amount at beginning of year	6,205	9,545
Additions	-	-
Disposals	-	(1,375)
Depreciation expense	(1,691)	(1,965)
<b>Carrying amount at end of year</b>	<b>4,514</b>	<b>6,205</b>
<i>Leased motor vehicle</i>		
Carrying amount at beginning of year	31,462	14,058
Additions	-	34,050
Disposals	-	(9,045)
Depreciation expense	(8,513)	(7,601)
Carrying amount at end of year	22,949	31,462
<b>10. Intangible assets</b>		
<i>Establishment costs</i>		
At cost	122,576	122,576
Less accumulated amortisation	(111,660)	(87,145)
	<b>10,916</b>	<b>35,431</b>

# Notes to the financial statements continued

	2005 \$	2004 \$
<b>11. Payables</b>		
Trade creditors	34,150	19,853
Other creditors and accruals	2,700	2,700
	<b>36,850</b>	<b>22,553</b>
<b>12. Interest bearing liabilities</b>		
Current		
Lease liability	6,597	5,913
Non-Current		
Lease liability	26,358	32,955
<b>13. Provisions</b>		
Employee benefits	19,555	18,502
Number of employees at year end	5	5
<b>14. Contributed equity</b>		
341,350 Ordinary Shares fully paid of \$1 each	341,350	341,350
<b>15. Accumulated losses</b>		
Balance at the beginning of the financial year	(257,253)	(251,874)
Net profit/(loss) from ordinary activities after income tax	9,591	(5,379)
Balance at the end of the financial year	(247,662)	(257,253)
<b>16. Statement of cash flows</b>		
((a) Reconciliation of cash		
Cash assets	73,696	15,789
(b) Reconciliation of profit/(loss) from ordinary activities after tax to Profit/(loss) from ordinary activities after income tax	9,591	(5,379)
Non cash items		
- Depreciation	16,780	16,144
- Amortisation	24,515	24,516
- Profit on sale of plant & equipment	-	(4,865)



# Notes to the financial statements continued

	2005	2004
	\$	\$

## 16. Statement of cashflows (continued)

Changes in assets and liabilities

- (Increase) decrease in receivables	(2,416)	(10,857)
- Increase (decrease) in payables	14,297	2,706
- Increase (decrease) in provisions	1,053	8,968
Net cashflows from/ (used in) operating activities	63,820	31,233

## 17. Director and related party disclosures

The names of directors who have held office during the financial year are:

Richard Herbert

Jill Regan

Michael Hare

Ian Johnstone

Ken Chapman

Rohan Garth

Doug Kajewski

Lance Tomkins

Director Ian Johnstone was paid \$7,550 (2004: \$5,200) in rent payments for lease of property. The payments were made under normal commercial terms and conditions. No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2005	2004
Richard Herbert	500	500
Jill Regan	2,000	2,000
Michael Hare	1,000	1,000
Ian Johnstone	5,000	5,000
Ken Chapman	8,000	8,000
Rohan Garth	500	500
Doug Kajewski	500	500
Lance Tomkins	6,000	5,000

Lance Tomkins' share holdings increased by 1,000 for the year. Each share has paid up value of \$1 and is fully paid.

# Notes to the financial statements continued

## 17. Director and related party disclosures (continued)

### Executive remuneration

	Primary benefits salary & fees \$	Post employment superannuation \$	Other * \$	Total \$
Colin Wells (Branch Manager)				
2005	55,052	4,871	7,640	67,563
2004	47,377	4,223	2,547	54,147

\* Other payments represent the total of monthly car lease payments. This vehicle was used by the Branch Manager during the year.

## 18. Subsequent events

There have been no events after the end of the financial year that would materially affect the financial statements.

## 19. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements

## 20. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Tongala, Victoria.

## 21. Registered office/principal place of business

The registered office and principal place of business is:

35 Mangan St.

Tongala

VIC 3621

# Notes to the financial statements continued

	2005	2004
	\$	\$
<b>22. Lease commitments</b>		
Finance leases are capitalised in the accounts in accordance with the accounting policies outlined in Note 1.		
Payable:		
No later than 1 year	9,859	9,859
Later than 1 year & not later than 5 years	28,404	38,263
Later than 5 years	-	-
Minimum lease payments	38,263	48,122
Less future finance charges	(5,308)	(9,254)
	<b>32,955</b>	<b>38,868</b>

## 23. International financial reporting standards

The company has commenced transitioning its accounting policies and financial reporting from current Australian Generally Accepted Accounting Principals (AGAAP) to Australian equivalents of International Financial Reporting Standards (IFRS). In consultation with our external auditor, Richmond Sinnott & Delahunty, the company has allocated resources to assess the impact of transition to IFRS.

Based on current requirements, the financial statements of the company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

Based on the assessment completed to date the key potential implications of the conversion to IFRS on the company are:

- financial instruments will need to be classified under one of five categories, which will in turn determine the accounting treatment. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value, available for sale - measured at fair value and non trading liabilities - measured at amortised cost. Based on current assets and liabilities held this is not expected to have an impact on the financial statements of the company.
- Income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities. For the company this will result in the recognition of a future income tax benefit under IFRS as follows:

# Notes to the financial statements continued

## 23. International financial reporting standards (continued)

	IFRS	Transition impact	AGAAP
As at 30 June 2004			
Opening retained earnings	(195,525)	61,728	(257,253)
Future income tax benefit (asset)	61,278	61,278	-
As at 30 June 2005			
Future income tax benefit (asset)	55,733	55,733	-
Year ended 30 June 2005			
Income tax expense	5,995	5,995	-

No other adjustments to deferred tax balances would currently be expected on adoption of AASB 112 Income Taxes.

- c) Intangible assets with an indefinite useful life will be tested annually for impairment and will not be amortised. This is not expected to have an impact on the financial statements of the company based on current intangible assets held.
- d) Changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements. This is not expected to have an impact on the financial statements of the company.

# Notes to the financial statements continued

## 24. Financial instruments

### Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at year end.

### Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest rate risk

Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
Financial Assets												
Cash assets	73,696	15,789	-	-	-	-	-	-	-	-	1.80	1.40
Receivables	-	-	-	-	-	-	-	-	32,139	25,174	N/A	N/A
Financial Liabilities												
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	36,850	22,553	N/A	N/A
Interest Bearing Liabilities	-	-	6,597	5,913	26,358	32,955	-	-	-	-	11.21	10.61

# Directors' declaration

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In accordance with a resolution of the Directors of Tongala & District Financial Services Limited, we state that: In the opinion of the Directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2005.

Chairman



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Richard Herbert

Director



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Ian Johnstone

Signed on 9 September 2005

# Auditor's independence declaration

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The Directors received the following declaration from the Auditor of the Company:

In relation to our audit of the financial report of Tongala & District Financial Services Ltd for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Warren Sinnott**

**Partner**

**Richmond Sinnott & Delahunty**

**9 September 2005**

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 9 September 2005

Chairman



Richard Herbert

Director



Ian Johnstone

Signed on 9 September 2005

# BSX report

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Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30 June 2005.

## **A. Corporate governance statement**

The board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The board recognises the importance of a strong corporate governance focus and methodology. The board is currently working towards adopting policies and procedures that will govern our company into the future. We believe that building policy framework will assist clarify the future direction of our local company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

## **B. Substantial shareholders – ten largest shareholders**

	Ordinary Shares	Number of ordinary Shares
1. Mr Frederick Birtles	30,000	8.79%
2. Mr Bruce Owen	10,000	2.93%
3. Mr John & Mrs Dorothy McLeod	8,000	2.34%
4. Mrs Lorraine Lister	8,000	2.34%
5. Mr Kenneth & Mrs Frances Chapman	8,000	2.34%
6. Mr Raymond & Mrs Lynette Walsh	6,000	1.76%
7. Mrs Susan Tomkins	6,000	1.76%
8. Mr Lance Tomkins	6,000	1.76%
9. Mr Ian Johnstone	5,000	1.46%
10. Mrs Susan Johnstone	5,000	1.46%
	<b>86,000</b>	<b>25.19%</b>

## **C. Voting rights**

Each shareholder has one vote.



# BSX report continued

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## **D. Distribution of Shareholders**

The number of shareholders, by size of holding, is:

	<b>Number of Holders</b>	<b>Number of Shares</b>
1 - 1,000	210	134,250
1,001 - 5,000	44	125,100
5,001 - 10,000	7	52,000
10,001 - 100,000	1	30,000
100,001 and over		
Total	262	341,350

There are 18 shareholders holding less than a marketable parcel of shares.

## **E. Monitoring of the board's performance and communication to shareholders**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Director's is reviewed annually by the Chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board and Directors' aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit Committee.

## **F. Address and telephone number of the office which securities register is kept:**

Bendigo Bank Limited  
Share Registry Office  
Fountain Court  
BENDIGO 3552  
Telephone: 03 54339339





