

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2006.

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 (resigned 25 October 2005) Director Resources Co-ordinator	Ian Johnstone Director Farmer
Ken Chapman Director Farmer	Rohan Garth Director Engineer
Doug Kajewski (resigned 1 February 2006) Director Senior Purchasing Officer	Lance Tomkins Director Farmer
Suzi Cornwall (appointed 26 July 2005) Director Business Proprietor	Jean Courtney (appointed 26 April 2006) Director Director Of Nursing
Garry McConnell (appointed 26 April 2006) Director Business Proprietor	

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 of the company for the financial year after provision for income tax was \$31,941 (2005: \$3,596).

	Period Ended 30 June 2006	
Dividends	Cents	\$
Dividends paid in the period:		
- As recommended in the prior year report	2.5	8,534

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Directors' Report

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' 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 \$ 7,800 (2005: \$7,550) by the company under normal terms and conditions for lease of a property owned by the director.

Executive Remuneration

	<u>Primary</u> <u>Benefits</u> Salary & Fees \$	<u>Post</u> <u>Employment</u> Superannuation \$	<u>Other *</u> \$	<u>Total</u> \$
Colin Wells (Branch Manager)				
2006	60,868	5,387	8,467	74,722
2005	55,052	4,871	7,640	67,563

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

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Directors' Report

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 Meetings

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

Number of Meetings Held: 11

Number of Meetings Attended:

Richard Herbert	9
Jill Regan	11
Michael Hare (resigned 25 October 2005)	-
Ian Johnstone	11
Ken Chapman	10
Rohan Garth	6
Doug Kajewski (resigned 1 February 2006)	-
Lance Tomkins	8
Suzi Cornwall (appointed 26 July 2005)	10
Jean Courtney (appointed 26 April 2006)	3
Garry McConnell (appointed 26 April 2006)	2

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Directors' Report

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



10 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Tongala & District Financial Services Ltd for the financial year ended 30 June 2006, 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
13 September 2006

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 13 September 2006

Richard Herbert, Chairman

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Income Statement
For the year ended 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Revenues from ordinary activities	2	433,278	365,450
Employee benefits expense	3	(171,673)	(167,370)
Depreciation and amortisation expense	3	(33,853)	(41,295)
Finance costs	3	(3,262)	(4,037)
Administration and other expenses from ordinary activities		<u>(174,459)</u>	<u>(143,157)</u>
Profit before income tax expense		50,031	9,591
Income tax expense	4	<u>18,090</u>	<u>5,995</u>
Profit after income tax expense		<u><u>31,941</u></u>	<u><u>3,596</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	24	9.36	1.05
- diluted for profit for the year	24	9.36	1.05
- dividends paid per share	23	2.50	-

The accompanying notes form part of these financial statements

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Balance Sheet
As at 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Current Assets			
Cash assets	6	76,805	73,696
Receivables	7	42,302	32,139
Other assets	8	-	2,583
Total Current Assets		<u>119,107</u>	<u>108,418</u>
Non-Current Assets			
Property, plant and equipment	9	46,931	63,714
Deferred income tax asset	4	37,643	55,733
Intangible assets	10	46,596	10,916
Total Non-Current Assets		<u>131,170</u>	<u>130,363</u>
Total Assets		<u>250,277</u>	<u>238,781</u>
Current Liabilities			
Payables	11	36,302	36,850
Interest bearing liabilities	12	25,110	6,597
Provisions	13	14,791	19,555
Total Current Liabilities		<u>76,203</u>	<u>63,002</u>
Non-Current Liabilities			
Interest bearing liabilities	12	1,246	26,358
Total Non-Current Liabilities		<u>1,246</u>	<u>26,358</u>
Total Liabilities		<u>77,449</u>	<u>89,360</u>
Net Assets		<u>172,828</u>	<u>149,421</u>
Equity			
Share capital	14	341,350	341,350
Accumulated losses	15	(168,522)	(191,929)
Total Equity		<u>172,828</u>	<u>149,421</u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Cash Flow Statement
For the year ended 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		494,762	398,427
Cash payments in the course of operations		(423,266)	(331,235)
Interest received		2,758	665
Interest expense		(3,262)	(4,037)
Net cash flows from operating activities	16b	<u>70,992</u>	<u>63,820</u>
Cash Flows From Investing Activities			
Payments for intangible assets		(52,750)	-
Net cash flows (used in) investing activities		<u>(52,750)</u>	<u>-</u>
Cash Flows From Financing Activities			
Dividends paid		(8,534)	-
Repayment of borrowings		(6,599)	(5,913)
Net cash flows from/(used in) financing activities		<u>(15,133)</u>	<u>(5,913)</u>
Net increase/(decrease) in cash held		3,109	57,907
Add opening cash brought forward		73,696	15,789
Closing cash carried forward	16a	<u>76,805</u>	<u>73,696</u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Statement of Changes in Equity
For the year ended 30 June 2006

	2006 \$	2005 \$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	341,350	341,350
Issue of share capital	-	-
Share issue costs	<u>-</u>	<u>-</u>
Balance at end of year	<u><u>341,350</u></u>	<u><u>341,350</u></u>
 RETAINED EARNINGS/(ACCUMULATED LOSSES)		
Balance at start of year	(191,929)	(195,525)
Profit after income tax expense	31,941	3,596
Dividends paid	<u>(8,534)</u>	<u>-</u>
Balance at end of year	<u><u>(168,522)</u></u>	<u><u>(191,929)</u></u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) 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 financial report was authorised for issue by the Directors on 12 September 2006.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant amended accounting policies

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements. Also refer to note 1(e).

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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.

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 profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to 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.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Plant & Equipment	20-30%
Motor Vehicles	25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	30-Jun 2005 \$	1-Jul 2004 \$
Total equity under AGAAP	93,688	84,097
Recognition of deferred income tax asset (#)	<u>55,733</u>	<u>61,728</u>
Total equity under AIFRS	<u><u>149,421</u></u>	<u><u>145,825</u></u>

The above adjustment to equity will be reflected in retained earnings.

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

Reconciliation of profit after tax presented under AGAAP to that under AIFRS

	Year Ended 30-Jun 2005 \$
Profit after tax as previously reported (AGAAP)	9,591
Adjustment to income tax expense (#)	<u>(5,995)</u>
Profit after tax under AIFRS	<u><u>3,596</u></u>

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

(e) Significant accounting policies

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

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 balance sheet. Cash flows are included in the cash flow statement 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.

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.

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 cash flow statement, 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).

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised 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.

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. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. Revenue from ordinary activities

	2006	2005
	\$	\$
Operating activities		
- services commissions	430,520	364,785
- other revenue	-	-
Total revenue from operating activities	<u>430,520</u>	<u>364,785</u>
Non-operating activities:		
- interest received	2,758	665
- other revenue	-	-
Total revenue from non-operating activities	<u>2,758</u>	<u>665</u>
Total revenue from ordinary activities	<u><u>433,278</u></u>	<u><u>365,450</u></u>

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

	2006	2005
	\$	\$
3. Expenses		
Employee benefits expense		
- wages and salaries	156,682	153,285
- superannuation costs	14,249	13,260
- workers' compensation costs	742	825
	<u>171,673</u>	<u>167,370</u>
Depreciation of non-current assets:		
- plant and equipment	8,270	8,267
- motor vehicle	8,513	8,513
Amortisation of non-current assets:		
- intangibles	17,070	24,515
	<u>33,853</u>	<u>41,295</u>
Finance costs:		
- interest paid	3,262	4,037
Bad Debts	50	22
4. Income Tax Expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	15,009	2,877
Add tax effect of:		
- Non-deductible expenses	3,081	3,118
<i>Current income tax expense</i>	<u>18,090</u>	<u>5,995</u>
Income tax expense	<u>18,090</u>	<u>5,995</u>
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	<u>37,643</u>	<u>55,733</u>
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
	<u>4,100</u>	<u>4,100</u>

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

	2006	2005
	\$	\$
6. Cash Assets		
Cash assets	76,805	73,696
	<u>76,805</u>	<u>73,696</u>
7. Receivables		
Trade debtors	42,302	32,139
	<u>42,302</u>	<u>32,139</u>
8. Other financial assets		
Prepayments	<u>-</u>	<u>2,583</u>
9. Property, Plant and Equipment		
<i>Furniture & fittings</i>		
At cost	65,766	65,766
Less accumulated depreciation	<u>(36,092)</u>	<u>(29,515)</u>
	<u>29,674</u>	<u>36,251</u>
<i>Leased equipment</i>		
At cost	9,460	9,460
Less accumulated depreciation	<u>(6,639)</u>	<u>(4,946)</u>
	<u>2,821</u>	<u>4,514</u>
<i>Leased motor vehicle</i>		
At cost	34,050	34,050
Less accumulated depreciation	<u>(19,614)</u>	<u>(11,101)</u>
	<u>14,436</u>	<u>22,949</u>
Total written down amount	<u>46,931</u>	<u>63,714</u>
Movements in carrying amounts		
<i>Furniture & fittings</i>		
Carrying amount at beginning of year	36,251	42,827
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(6,577)</u>	<u>(6,576)</u>
Carrying amount at end of year	<u>29,674</u>	<u>36,251</u>
<i>Leased equipment</i>		
Carrying amount at beginning of year	4,514	6,205
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(1,693)</u>	<u>(1,691)</u>
Carrying amount at end of year	<u>2,821</u>	<u>4,514</u>

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

	2006	2005
	\$	\$
9. Property, Plant and Equipment (continued)		
<i>Leased motor vehicle</i>		
Carrying amount at beginning of year	22,949	31,462
Additions	-	-
Disposals	-	-
Depreciation expense	(8,513)	(8,513)
Carrying amount at end of year	<u>14,436</u>	<u>22,949</u>
10. Intangible Assets		
<i>Establishment costs</i>		
At cost	175,326	122,576
Less accumulated amortisation	(128,730)	(111,660)
	<u>46,596</u>	<u>10,916</u>
11. Payables		
Trade creditors	33,602	34,150
Other creditors and accruals	2,700	2,700
	<u>36,302</u>	<u>36,850</u>
12. Interest Bearing Liabilities		
<i>Current</i>		
Lease liability	<u>25,110</u>	<u>6,597</u>
<i>Non-Current</i>		
Lease liability	<u>1,246</u>	<u>26,358</u>
13. Provisions		
Employee benefits	<u>14,791</u>	<u>19,555</u>
Number of employees at year end	<u>4</u>	<u>5</u>
14. Share Capital		
341,350 Ordinary Shares fully paid of \$1 each	<u>341,350</u>	<u>341,350</u>
15. Accumulated Losses		
Balance at the beginning of the financial year	(191,929)	(195,525)
Profit after income tax	31,941	3,596
Payment of dividends	(8,534)	-
Balance at the end of the financial year	<u>(168,522)</u>	<u>(191,929)</u>

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

16. Cash Flow Statement	2006	2005
	\$	\$
(a) Reconciliation of cash		
Cash assets	<u>76,805</u>	<u>73,696</u>
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	31,941	3,596
Non cash items		
- Depreciation	16,783	16,780
- Amortisation	17,070	24,515
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,580)	(2,416)
- Increase (decrease) in payables	(548)	14,297
- Increase (decrease) in provisions	(4,764)	1,053
- (Increase) decrease in deferred income tax asset	18,090	5,995
Net cashflows from/ (used in) operating activities	<u>70,992</u>	<u>63,820</u>

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 (resigned 25 October 2005)
Ian Johnstone
Ken Chapman
Rohan Garth
Doug Kajewski (resigned 1 February 2006)
Lance Tomkins
Suzi Cornwall (appointed 26 July 2005)
Jean Courtney (appointed 26 April 2006)
Garry McConnell (appointed 26 April 2006)

Director Ian Johnstone was paid \$7,800 (2005: \$7,550) 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	2006	2005
Richard Herbert	500	500
Jill Regan	2,000	2,000
Michael Hare (resigned 25 October 2005)	1,000	1,000
Ian Johnstone	5,000	5,000
Ken Chapman	8,000	8,000
Rohan Garth	500	500
Doug Kajewski (resigned 1 February 2006)	500	500
Lance Tomkins	6,000	5,000
Suzi Cornwall (appointed 26 July 2005)	500	500
Jean Courtney (appointed 26 April 2006)	5,500	5,500

Tongala & District Financial Services Ltd
ABN 22 094 331 665

Notes to the Financial Statements
for the year ended 30 June 2006

Garry McConnell (appointed 26 April 2006)

2,500

2,500

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

17. Director and Related Party Disclosures (continued)

Movements in shares held	2006	2005
<i>Lance Tomkins</i>		
Shares held at beginning of financial year	5,000	5,000
Shares purchased	1,000	-
Shares sold	-	-
Shares held at end of financial year	6,000	5,000

Other than stated above there was no movement in directors shareholdings during the year.
Each share held has a paid up value of \$1 and is fully paid.

Executive Remuneration

	<u>Primary Benefits</u> Salary & Fees \$	<u>Post Employment</u> Superannuation \$	<u>Other *</u> \$	<u>Total</u> \$
Colin Wells (Branch Manager)				
2006	60,868	5,387	8,467	74,722
2005	55,052	4,871	7,640	67,563

* 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. Corporate Information

Tongala Community Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

35 Mangan St.
Tongala VIC 3621

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

22. Lease Commitments

Finance leases are capitalised in the accounts in accordance with the accounting policies outlined in Note 1.

	2006	2005
	\$	\$
Payable:		
No later than 1 year	27,108	9,859
Later than 1 year & not later than 5 years	1,295	28,404
Later than 5 years	<u>-</u>	<u>-</u>
Minimum lease payments	28,403	38,263
Less future finance charges	(4,922)	(5,308)
	<u><u>23,481</u></u>	<u><u>32,955</u></u>

23. Dividends paid or provided for on ordinary shares

Dividends paid during the year

Previous year final		
Unfranked dividends - 2.5 cents per share (2005: Nil cents per share)	8,554	-

24. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	<u>31,941</u>	<u>3,596</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u><u>341,350</u></u>	<u><u>341,350</u></u>

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2006

25. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. 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 Balance Sheet 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					
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 %	2005 %
Financial												
Assets												
Cash assets	76,805	73,696	-	-	-	-	-	-	-	-	1.90	1.80
Receivables	-	-	-	-	-	-	-	-	42,302	32,139	N/A	N/A
Financial												
Liabilities												
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	36,302	36,850	N/A	N/A
Interest Bearing Liabilities	-	-	25,110	6,597	1,246	26,358	-	-	-	-	11.21	11.21

Tongala & District Financial Services Ltd
ABN 22 094 331 665
Directors' Declaration

In accordance with a resolution of the directors of Tongala & District Financial Services Limited,
I 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 2006 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 2006.

Richard Herbert, Chairman

Signed at Tongala, Victoria on 13 September 2006.

13 September 2006

The Directors
Tongala & District Financial Services Limited
35 Mangan St.
TONGALA VIC 3621

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Tongala & District Financial Services Limited for the year ended 30 June 2006, 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.

A handwritten signature in black ink, appearing to read 'W Sinnott', written in a cursive style.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty