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Chairperson's report

For year ending 30 June 2006

Hello and welcome to our 2006 Annual Report.

This time last year, I was very happy to mention that we had just taken a giant step forward. Commenting on our first profitable year, gave our Board and myself a great deal of pride. So, I am very happy to reveal that the trend has well and truly continued this year, with an approximate increase in profit of 400%. It should be mentioned this profit, is off a small base, but it shows, we have definitely come of age and our future is bright.

The reason, that our future looks so bright, is thanks to the strong foundation on which our business has been built. This foundation is very much based on lots of small holdings from numerous members with in our Community. I again ask that those of us with any business elsewhere regardless of the amount to please consider your local Bank as an option, as we still need everyone's support to enable us to achieve greater success.

This past year has again been one of excitement. We have seen our Board go through changes, due to some of our original Directors having personal commitments. I thank these members for their assistance and dedication that has helped us achieve so much. I would also like to extend a warm welcome to our new Board members and look forward to our bright future together.

After 5 years, the last 12 months growth has been slower than hoped, however, in a bid to amend this, we are restructuring the operations with in the branch. These changes will enable Colin to become mobile whilst allowing Maree to take the next step in her career. They are exciting changes, which will allow us further extend the way we are delivering our service.

Again, the whole Board and Branch staff needs to be acknowledged for their efforts over the last year, in growing our business to where it is today. As "Your" Board we are looking forward to the next phase of the Company's development. We can now start to build our shareholder reserves so that we are in a position to have your funds covered in an appropriate reserve.



Richard Herbert

Chairman

Manager's report

For year ending 30 June 2006

Well you know you are getting old when you start to say what your parent's said.

But it needs to be said " I can't believe how fast this year has gone " and we are now facing another AGM. Our holdings sit at approximately \$38 million which is a \$4 million increase on last year. Our \$38 million is made up of approximately \$15 million in lending and \$ 23 million in deposits. As with last year the economic conditions have not helped but I am happy with this result.

We have invested heavily in Community activities this year not just dollar donations, but with a lot of my time being taken up helping establish the Community Health Centre funding. This has been a co operative approach between the Shire, the Community, those making donations, and the Bank. This has been a fantastic experience and bodes well for the future as it has built some good networks, as well as ensuring we get matching funding from Government, making our dollar stretch further.

The Telco initiative has now been going over 12 months and returning a good income stream. Although I believe those signed up with us have been under considerable pressure to change back, from our competitors, most have stuck with us and are enjoying value for money and making savings. I urge everyone to at least talk to us about what options we can offer with both your banking and Telephone/internet services.

Although installing an ATM has been on our agenda the costs have been very prohibitive, but due to the many Community requests one has been installed in our Branch to service the needs of the town. Highlighting the advantages of controlling the Bank yourself rather than relying on the multinationals who only look at profitability.

Richard said we are looking to further extend our service this year and we are conducting some internal restructuring that will see me on the road 90% of the time. This will mean an increase in responsibility for Maree and the rest of the team leaving me free to catch up with people where they live or do business. If you would like to arrange a visit please do not hesitate to make contact or don't be surprised if I make contact with you. This is another of our initial goals starting to be met as we provide a career path for those wanting to have a career in banking yet still wanting to stay in our town.

Again, to the Staff and Board, thank you so much for efforts and friendship over the last year. Your efforts are clearly paying dividends, literally, and are most appreciated. We are facing another very challenging year as climatic conditions are not helping but, together, I have no doubts we will get through this and be stronger for it. Please remember we are here to help and although we are not in a position to give everybody what they want, we are in a position where we can at least listen. So again I say, if you would like to discuss your options please give me a call on 0407 591 401.



Colin Wells
Manager

Directors' report

For year ending 30 June 2006

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.

Directors' report continued

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).

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

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.

Directors' report continued

Executive remuneration

	Primary benefits salary & rees \$	Post employment superannuation \$	Other * \$	Total \$
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Colin Wells (Branch Manager)

2006	60,868	5,387	8,467	74,722
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2005	55,052	4,871	7,640	67,563
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* 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

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
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Number of meetings attended:	
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Richard Herbert	9
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Jill Regan	11
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Michael Hare (resigned 25 October 2005)	-
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Ian Johnstone	11
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Ken Chapman	10
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Rohan Garth	6
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Doug Kajewski (resigned 1 February 2006)	-
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Lance Tomkins	8
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Suzi Cornwall (appointed 26 July 2005)	10
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Jean Courtney (appointed 26 April 2006)	3
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Garry McConnell (appointed 26 April 2006)	2
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Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 13 September 2006.



Richard Herbert

Chairman

Financial statements

Income statement

For year ending 30 June 2006

	Note	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		(174,459)	(143,157)
Profit before income tax expense		50,031	9,591
Income tax expense	4	18,090	5,995
Profit after income tax expense		31,941	3,596
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.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	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		119,107	108,418
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		131,170	130,363
Total assets		250,277	238,781
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		76,203	63,002
Non-current liabilities			
Interest bearing liabilities	12	1,246	26,358
Total non-current liabilities		1,246	26,358
Total liabilities		77,449	89,360
Net assets		172,828	149,421
Equity			
Share capital	14	341,350	341,350
Accumulated losses	15	(168,522)	(191,929)
Total equity		172,828	149,421

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	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	70,992	63,820
Cash flows from investing activities			
Payments for intangible assets		(52,750)	-
Net cash flows (used in) investing activities		(52,750)	-
Cash flows from financing activities			
Dividends paid		(8,534)	-
Repayment of borrowings		(6,599)	(5,913)
Net cash flows from/(used in) financing activities		(15,133)	(5,913)
Net increase/(decrease) in cash held		3,109	57,907
Add opening cash brought forward		73,696	15,789
Closing cash carried forward	16a	76,805	73,696

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
Share capital			
Ordinary shares			
Balance at start of year		341,350	341,350
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		341,350	341,350
Retained earnings/(accumulated losses)			
Balance at start of year		(191,929)	(195,525)
Profit after income tax expense		31,941	3,596
Dividends paid		(8,534)	-
Balance at end of year		(168,522)	(191,929)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

(a) 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 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.

Notes to financial statements continued

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.

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:

Class of asset	Depreciation rate
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.

Notes to financial statements 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 (#)	55,733	61,728
Total equity under AIFRS	149,421	145,825

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 (#)	(5,995)
Profit after tax under AIFRS	3,596

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.

Notes to financial statements 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).

Notes to financial statements 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.

	2006	2005
	\$	\$

Note 2: Revenue from ordinary activities

Operating activities

- services commissions	430,520	364,785
- other revenue	-	-
Total revenue from operating activities	430,520	364,785
Non-operating activities:		
- interest received	2,758	665
- other revenue	-	-
Total revenue from non-operating activities	2,758	665
Total revenue from ordinary activities	433,278	365,450

Notes to financial statements continued

	2006 \$	2005 \$
Note 3: Expenses		
Employee benefits expense		
- wages and salaries	156,682	153,285
- superannuation costs	14,249	13,260
- workers' compensation costs	742	825
	171,673	167,370
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
	33,853	41,295
Finance costs:		
- interest paid	3,262	4,037
Bad debts	50	22

Note 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
Current income tax expense	18,090	5,995
Income tax expense	18,090	5,995
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.		
	37,643	55,733

Notes to financial statements continued

	2006	2005
	\$	\$

Note 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
	4,100	4,100

Note 6: Cash assets

Cash assets	76,805	73,696
	76,805	73,696

Note 7: Receivables

Trade debtors	42,302	32,139
	42,302	32,139

Note 8: Other financial assets

Prepayments	-	2,583
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Note 9: Property, plant and equipment

Furniture & fittings

At cost	65,766	65,766
Less accumulated depreciation	(36,092)	(29,515)
	29,674	36,251

Leased equipment

At cost	9,460	9,460
Less accumulated depreciation	(6,639)	(4,946)
	2,821	4,514

Notes to financial statements continued

	2006 \$	2005 \$
Note 9: Property, plant and equipment continued		
Leased motor vehicle		
At cost	34,050	34,050
Less accumulated depreciation	(19,614)	(11,101)
	14,436	22,949
Total written down amount	46,931	63,714
Movements in carrying amounts		
Furniture & fittings		
Carrying amount at beginning of year	36,251	42,827
Additions	-	-
Disposals	-	-
Depreciation expense	(6,577)	(6,576)
Carrying amount at end of year	29,674	36,251
Leased equipment		
Carrying amount at beginning of year	4,514	6,205
Additions	-	-
Disposals	-	-
Depreciation expense	(1,693)	(1,691)
Carrying amount at end of year	2,821	4,514
Leased motor vehicle		
Carrying amount at beginning of year	22,949	31,462
Additions	-	-
Disposals	-	-
Depreciation expense	(8,513)	(8,513)
Carrying amount at end of year	14,436	22,949

Notes to financial statements continued

	2006	2005
	\$	\$

Note 10: Intangible assets

Establishment costs

At cost	175,326	122,576
Less accumulated amortisation	(128,730)	(111,660)
	46,596	10,916

Note 11: Payables

Trade creditors	33,602	34,150
Other creditors and accruals	2,700	2,700
	36,302	36,850

Note 12: Interest bearing liabilities

Current

Lease liability	25,110	6,597
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Non-current

Lease liability	1,246	26,358
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Note 13: Provisions

Employee benefits	14,791	19,555
Number of employees at year end	4	5

Note 14: Share capital

341,350 Ordinary Shares fully paid of \$1 each	341,350	341,350
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Note 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	(168,522)	(191,929)

Notes to financial statements continued

	2006 \$	2005 \$
Note 16: Cash flow statement		
(a) Reconciliation of cash		
Cash assets	76,805	73,696
(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 cash flows from/ (used in) operating activities	70,992	63,820

Note 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.

Notes to financial statements continued

Note 17: Director and related party disclosures continued

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	6,000
Suzi Cornwall (appointed 26 July 2005)	500	500
Jean Courtney (appointed 26 April 2006)	5,500	5,500
Garry McConnell (appointed 26 April 2006)	2,500	2,500

Movements in Shares held

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

	Primary benefits salary & fees \$	Post employment superannuation \$	Other * \$	Total \$
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.

Notes to financial statements continued

Note 18: Subsequent events

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

Note 19: Contingent liabilities

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

Note 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.

Note 21: Corporate information

Tongala & District 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

Notes to financial statements continued

Note 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	-	-
Minimum lease payments	28,403	38,263
Less future finance charges	(4,922)	(5,308)
	23,481	32,955

Note 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	-
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Note 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	31,941	3,596
Weighted average number of ordinary shares for basic and diluted earnings per share	341,350	341,350

Notes to financial statements continued

Note 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	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non Interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	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

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.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



To the Members of Tongala & District Financial
Services Limited

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

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for Tongala & District Financial Services Limited, for the year ended 30 June 2006.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independent audit report continued

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Directors and management of the Company.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.


Audit opinion

In our opinion, the financial report of Tongala & District Financial Services Limited is in accordance with:

- (a) 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 its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



W. J. SINNOTT

Partner

Bendigo

Date: 13 September 2006

Auditor's independence declaration

Richmond Sinnott & Delahunty Chartered Accountants



10 Forest Street
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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

BSX report

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 25 September 2006.

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 ord Shares
1. Mr Frederick C Birtles	30,000	8.78%
2. Mr Richard E Thorne	10,000	2.93%
3. Mr Bruce Owen	10,000	2.93%
4. Mr John L & Mrs Dorothy S McLeod	8,000	2.34%
5. Mrs Lorraine Lister	8,000	2.34%
6. Mr Kenneth W & Mrs Frances R Chapman	8,000	2.34%
7. Mr Raymond E & Mrs Lynette M Walsh	6,000	1.76%
8. Mr Lance H Tomkins	6,000	1.76%
9. Mrs Susan M Tomkins	6,000	1.76%
10. Mrs Janice Tully	5,000	1.46%
	97,000	28.4%

C. Voting rights

Each Shareholder has one vote

BSX report continued

D. Distribution of Shareholders

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

	Ordinary Shares	
	Number of holders	Number of Shares
1 - 1,000	204	127,850
1,001 - 5,000	43	121,500
5,001 - 10,000	8	62,000
10,001 - 100,000	1	30,000
100,001 and over	-	-
Total	256	341,350

There are 22 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. Director's whose performance is unsatisfactory are asked to retire.

The Board and Director's aims 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, VIC 3552

Telephone: 03 5433 9339

G. Tongala & District Financial Services Limited

Jill Regan
Company Secretary
35 Mangan Street,
Tongala, VIC 3621

Telephone: 03 5859 1401

