

2007 annual report



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Chairman's report

For year ending 30 June 2007

Welcome to our 2007 annual report.

This last 12 month period has again been an exciting and extremely busy time with a number of changes. So now is the time to look back at and reflect on our achievements and continue to work towards our goals for the coming 12 months.

Firstly, I had hoped that this year in my report I would be able to say the drought is finally over but, unfortunately we have not yet had enough rainfall to allow me to say that. Although things are looking greener and there is more optimism in the area the drought is still having an affect on our whole region including our business. It is thanks to our dedicated staff both past and present who have worked very hard to maintain our existing business levels.

Staff changes have been a big part of the last 12 months and it was very sad to see both Colin and Kerryn leave our branch, but they have moved onto new exciting ventures of their own and we wish them all the best for the future and thank them for all of their hard work and contributions to the business.

Congratulations to Maree for the safe arrival of Oliver. Maree is currently on maternity leave and will be returning to work after Christmas. She will then take on the role of Customer Relationship Manager. I would also like to welcome our new staff members Kate Nunn who is employed as one of our Customer Service Officers and Kareen Delaney our Customer Service Manager. At this time I need to also mention a special thank you to Tamar and Leanne for their continued hard work and the support they have show our new staff members.

I could not go further without thanking our Board members who continue work tirelessly to promote our bank branch. Their passion and devotion is the driving force behind the scenes that pushes our branch forward. This year I would also like to introduce David Blanchard who has joined our Board of management.

Through the past 12 months, our **Community Bank**[®] branch has continued to assist many local clubs, groups and organisations in the form of sponsorship. We are now also very proud to be associated with Rural Ambulance Victoria through the newly formed Tongala Community Emergency Response Team.

Following on from last year's report, I can also mention that we have commenced and are continually working on the Share Holders Trust account so that your funds are covered in this appropriate reserve.

Chairman's report continued

Again it is thanks to the strong foundations that have been formed, that our bank branch has been able to continue as well as it has through this time of regional hardship. The enthusiasm and dedication shown by the staff and the Board members is second to none and without this we would not have such a strong future to look forward to. I would also like to thank the shareholders that help spread the word of our bank branch. I encourage all to do the same as it is "our bank" and we are what will make it happen.

A handwritten signature in black ink, appearing to read 'Richard Herbert', followed by a horizontal line.

Richard Herbert
Chairman

Manager's report

For year ending 30 June 2007

The past year has been a very challenging one for our **Community Bank®** branch given the detrimental effects of the drought and the movement of money into superannuation as a result of the Federal Government's tax benefits. Despite this we have held our position well and all the indications point towards the Bank having a successful year ahead. I believe we have the staffing resources and the necessary strategies in place to ensure that this occurs. At the time of writing this report, there are already indications of a strong growth in our activities.

I have been with Tongala **Community Bank®** Branch for 5 months having returned after 10 years out of the work force whilst at home starting a family. I had previously worked for Bendigo Bank for 13 years and am enjoying the return to work. I am looking forward to future challenges and increasing my association with the local community.

There have been a number of changes in our staff this year. We have lost Colin Wells and Kerry Dyke and gained Kate Nunn and myself. Maree McNamara will return from maternity leave in January 2008 and we will then have a very strong team in place for the 2007/2008 year. This will enable us to take advantage of any opportunities for expansion and this applies particularly to our Mathoura Agency and our local clientele. We are all looking towards another successful year and the staff members are keen to succeed.

Our ATM was installed August 2006 and has far exceeded our expectations. It has been a great addition to our community, providing 24 hour cash to all of Tongala's residents and visitors.

We have also been instrumental in establishing the Community Emergency Response Team sponsored by Bendigo Bank. We have had a wonderful acceptance of this initiative and easily found sufficient volunteers to setup this essential service. We have 18 volunteers who have nearly completed their training and the launch of the service will occur in October. We look forward to receiving the response vehicle and the seeing the volunteers presence around the district.

We have continued to grow the Telco communication Services and we are certainly competitive with other providers. Many customers continue to enjoy our low costs of these services and we welcome the opportunity to compare our prices against any other providers.

I would like to take this opportunity to thank the staff and Board for their support in my short time with the Bank. As Manager, I will endeavour to ensure that we will build on our past successes and that we will continue to be innovative and do our best to serve the community in friendly and cooperative way.



Kareen Delaney
Branch Manager

Directors' report

For year ending 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

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

Suzi Cornwall

Director
Business Proprietor

Ian Johnstone

Director
Farmer

Ken Chapman

Director
Farmer

Rohan Garth

Director
Engineer

Garry McConnell

Director
Business Proprietor

Lance Tomkins

Director
Farmer

Jean Courtney

Director
Director of Nursing

David Blanchard (appointed 23 January 2007)

Director
Public Accountant

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 \$26,133 (2006: \$31,941).

Dividends	Period ended 30 June 2007	
	Cents	\$
Dividends paid in the period:		
- As recommended in the prior year report	5	17,068

Directors' report continued

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 \$7,115 (2006: \$7,800) 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 \$
Kareen Delaney (appointed 02/03/07)				
2007	8,514	735	nil	9,249
Colin Wells (resigned 02/03/07)				
2007	58,632	4,766	5,645	69,043
2006	60,868	5,387	8,467	74,722

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

Directors' report continued

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, resigning 5 September 2007. Over the last twenty years her occupation has been a dairy farmer.

David Blanchard was appointed the Company Secretary on 5 September 2007.

Over the past thirty years his occupation has been Public Accountant

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	11
Jill Regan	11
Ian Johnstone	8
Ken Chapman	10
Rohan Garth	0
Garry McConnell	4
Lance Tomkins	9
Suzi Cornwall	9
Jean Courtney	7
David Blanchard (appointed 23 January 2007)	5

Directors' report continued

Auditor independence declaration

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

Richmond Sinnott & Delahunty

Chartered Accountants

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 14 September 2007.

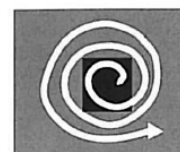
A handwritten signature in black ink, appearing to read 'D. Blanchard', with a stylized flourish at the end.

David Blanchard

Director

Auditor's independence declaration

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

14 September 2007

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 2007, 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

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	2	454,668	433,278
Employee benefits expense	3	(195,196)	(171,673)
Depreciation and amortisation expense	3	(20,654)	(33,853)
Finance costs	3	(6,994)	(3,262)
Administration and other expenses from ordinary activities		(189,970)	(174,459)
Profit before income tax expense		41,854	50,031
Income tax expense	4	15,721	18,090
Profit after income tax expense		26,133	31,941
Earnings per share (cents per share)			
- basic for profit for the year	23	7.66	9.36
- diluted for profit for the year	23	7.66	9.36
- dividends paid per share	22	5.00	2.50

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash assets	6	104,990	76,805
Receivables	7	28,951	42,302
Total current assets		133,941	119,107
Non-current assets			
Property, plant and equipment	8	64,372	46,931
Deferred income tax asset	4	8,871	24,592
Intangible assets	9	36,046	46,596
Total non-current assets		109,289	118,119
Total assets		243,230	237,226
Current liabilities			
Payables	10	31,317	36,302
Interest bearing liabilities	11	7,022	25,110
Provisions	12	5,523	14,791
Total current liabilities		43,862	76,203
Non-current liabilities			
Interest bearing liabilities	11	30,526	1,246
Total non-current liabilities		30,526	1,246
Total liabilities		74,388	77,449
Net assets		168,842	159,777
Equity			
Share capital	13	341,350	341,350
Accumulated losses	14	(172,508)	(181,573)
Total equity		168,842	159,777

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Cash receipts in the course of operations		510,824	494,762
Cash payments in the course of operations		(446,976)	(423,266)
Interest received		4,752	2,758
Interest expense		(6,994)	(3,262)
Net cash flows from operating activities	15b	61,606	70,992
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		17,257	-
Purchase of property, plant & equipment		(44,802)	-
Payments for intangible assets		-	(52,750)
Net cash flows from/(used in) investing activities		(27,545)	(52,750)
Cash flows from financing activities			
Dividends paid		(17,068)	(8,534)
Proceeds from/(repayments of) borrowings		11,192	(6,599)
Net cash flows from/(used in) financing activities		(5,876)	(15,133)
Net increase/(decrease) in cash held		28,185	3,109
Add opening cash brought forward		76,805	73,696
Closing cash carried forward	15a	104,990	76,805

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Note	2007 \$	2006 \$
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		(181,573)	(204,980)
Profit after income tax expense		26,133	31,941
Dividends paid		(17,068)	(8,534)
Balance at end of year		(172,508)	(181,573)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

Note 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 14 September 2007.

(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.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2006 financial statements.

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.

Notes to financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

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.

Notes to financial statements continued

Note 1. Basis of preparation of the financial report (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.

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).

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.

Notes to financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

	2007	2006
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	449,916	430,520
- other revenue	-	-
Total revenue from operating activities	449,916	430,520
Non-operating activities:		
- interest received	4,752	2,758
- other revenue	-	-
Total revenue from non-operating activities	4,752	2,758
Total revenue from ordinary activities	454,668	433,278

Notes to financial statements continued

	2007 \$	2006 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	178,001	156,682
- superannuation costs	16,634	14,249
- workers' compensation costs	561	742
	195,196	171,673
Depreciation of non-current assets:		
- plant and equipment	6,530	8,270
- motor vehicle	3,574	8,513
Amortisation of non-current assets:		
- intangibles	10,550	17,070
	20,654	33,853
Finance costs:		
- interest paid	6,994	3,262
Bad debts	17	50

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%	12,556	15,009
Add tax effect of:		
- Non-deductible expenses	3,165	3,081
Current income tax expense	15,721	18,090
Income tax expense	15,721	18,090
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.		
	8,871	24,592

Notes to financial statements continued

	2007	2006
	\$	\$

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
- Preparation and lodgement of taxation return	450	450
	4,100	4,100

Note 6. Cash assets

Cash assets	104,990	76,805
	104,990	76,805

Note 7. Receivables

Trade debtors	28,951	42,302
	28,951	42,302

Note 8. Property, plant and equipment

Furniture & fittings

At cost	65,766	65,766
Less accumulated depreciation	(39,380)	(36,092)
	26,386	29,674

Leased equipment

At cost	16,210	9,460
Less accumulated depreciation	(3,242)	(6,639)
	12,968	2,821

Leased motor vehicle

At cost	28,592	34,050
Less accumulated depreciation	(3,574)	(19,614)
	25,018	14,436
Total written down amount	64,372	46,931

Notes to financial statements continued

	2007	2006
	\$	\$

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Furniture & fittings

Carrying amount at beginning of year	29,674	36,251
Additions	-	-
Disposals	-	-
Depreciation expense	(3,288)	(6,577)
Carrying amount at end of year	26,386	29,674

Leased equipment

Carrying amount at beginning of year	2,821	4,514
Additions	16,210	-
Disposals	(2,821)	-
Depreciation expense	(3,242)	(1,693)
Carrying amount at end of year	12,968	2,821

Leased motor vehicle

Carrying amount at beginning of year	14,436	22,949
Additions	28,592	-
Disposals	(14,436)	-
Depreciation expense	(3,574)	(8,513)
Carrying amount at end of year	25,018	14,436

Note 9. Intangible assets

Establishment costs

At cost	52,750	52,750
Less accumulated amortisation	(16,704)	(6,154)
	36,046	46,596

Notes to financial statements continued

	2007 \$	2006 \$
Note 10. Payables		
Trade creditors	31,317	36,302

Note 11. Interest bearing liabilities

Current

Lease liability	7,022	25,110
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Non-current

Lease liability	30,526	1,246
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Note 12. Provisions

Employee benefits	5,523	14,791
Number of employees at year end	4	4

Note 13. Share capital

341,350 Ordinary shares fully paid of \$1 each	341,350	341,350
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Note 14. Accumulated losses

Balance at the beginning of the financial year	(181,573)	(204,980)
Profit after income tax	26,133	31,941
Payment of dividends	(17,068)	(8,534)
Balance at the end of the financial year	(172,508)	(181,573)

Notes to financial statements continued

	2007 \$	2006 \$
Note 15. Cash flow statement		
(a) Reconciliation of cash		
Cash assets	104,990	76,805
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	26,133	31,941
Non cash items		
- Depreciation	10,104	16,783
- Amortisation	10,550	17,070
Changes in assets and liabilities		
- (Increase) decrease in receivables	13,351	(7,580)
- Increase (decrease) in payables	(4,985)	(548)
- Increase (decrease) in provisions	(9,268)	(4,764)
- (Increase) decrease in deferred income tax asset	15,721	18,090
Net cashflows from/ (used in) operating activities	61,606	70,992

Note 16. Director and related party disclosures

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

Richard Herbert

Jill Regan

Ian Johnstone

Ken Chapman

Rohan Garth

Garry McConnell

Lance Tomkins

Suzi Cornwall

Jean Courtney

David Blanchard (appointed 23 January 2007)

Director Ian Johnstone was paid \$7,115 (2006: \$7,800) 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 16. Director and related party disclosures (continued)

Directors shareholdings	2007	2006
Richard Herbert	500	500
Jill Regan	2,000	2,000
Ian Johnstone	5,000	5,000
Ken Chapman	8,000	8,000
Rohan Garth	500	500
Garry McConnell	2,500	2,500
Lance Tomkins	6,000	6,000
Suzi Cornwall	500	500
Jean Courtney	5,500	5,500
David Blanchard (appointed 23 January 2007)	1,000	-

Other than the purchase of 1,000 shares by David Blanchard, there were no other movements 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 \$
Kareen Delaney (appointed 02/03/07)				
2007	8,514	735	0	9,249
Colin Wells (resigned 02/03/07)				
2007	58,632	4,766	5,732	69,130
2006	60,868	5,387	8,467	74,722

* 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 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. 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 20. 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

	2007	2006
	\$	\$

Note 21. Lease commitments

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

Payable:

No later than 1 year	11,041	27,108
Later than 1 year & not later than 5 years	35,228	1,295
Later than 5 years	-	-
Minimum lease payments	46,269	28,403
Less future finance charges	(13,614)	(4,922)
	32,655	23,481

Notes to financial statements continued

	2007	2006
	\$	\$

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the year

Previous year final

Unfranked dividends - 5 cents per share

(2006: 2.5 cents per share)

17,068

8,554

Note 23. 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	26,133	31,941
Weighted average number of ordinary shares for basic and diluted earnings per share	341,350	341,350

Notes to financial statements continued

Note 24. 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					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	104,990	76,805	-	-	-	-	-	-	-	-	3.36	1.90
Receivables	-	-	-	-	-	-	-	-	28,951	42,302	N/A	N/A
Financial liabilities												
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	31,317	36,302	N/A	N/A
Interest bearing liabilities												
	-	-	7,022	25,110	30,526	1,246	-	-	-	-	8.35	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 2007 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 2007.



David Blanchard
Director

Signed at Tongala, Victoria on 14 September 2007.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF TONGALA & DISTRICT FINANCIAL SERVICES LIMITED

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 2007.

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.

Independent audit report continued

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.

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 2007 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 & Delahanty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 14 September 2007

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 14th September 2007.

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	8.79%
2. Mr Bruce Owen	10,000	2.93%
3. Mr Richard E Thorne	10,000	2.93%
4. Mr Kenneth W & Mrs Frances R Chapman	8,000	2.34%
5. Mrs Lorraine Lister	8,000	2.34%
6. Mr John L McLeod & Mrs Dorothy S R McLeod	8,000	2.34%
7. Mr Gerald F Pauley & Mr Michael J Pauley (Pauley Super Fund)	8,000	2.34%
8. Mr Lance H Tomkins	6,000	1.76%
9. Mrs Susan M Tomkins	6,000	1.76%
10. Mr Raymond E & Mrs Lynette M Walsh	6,000	1.76%
	100,000	29.30%

C. Voting rights

Each shareholder is entitled one vote, irrespective of the number of shares held.

BSX report continued

D. Distribution of shareholders

The following table shows the number of Shareholders, broken into various categories showing the total number of shares held:

	Ordinary shares	
	Number of holders	Number of Shares
1 - 1,000	204	127,850
1,001 - 5,000	42	121,500
5,001 - 10,000	8	62,000
10,001 - 100,000	1	30,000
100,000 and over	0	0
Total	255	341,350

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 Directors 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. Annexure 3A

Following the audit of the Company's accounts a difference has arisen between the information in the Company's Annexure 3A and the information in the financial documents in its annual report

The difference has resulted with increased profit after tax from \$20,560 to \$26,133.

G. Address and telephone number of the office which securities register is kept:

Computershare Investor Services Pty Ltd

GPO Box 2975

Melbourne, VIC 3001

Telephone: 1300 850 505

H. Tongala & District Financial Services Limited

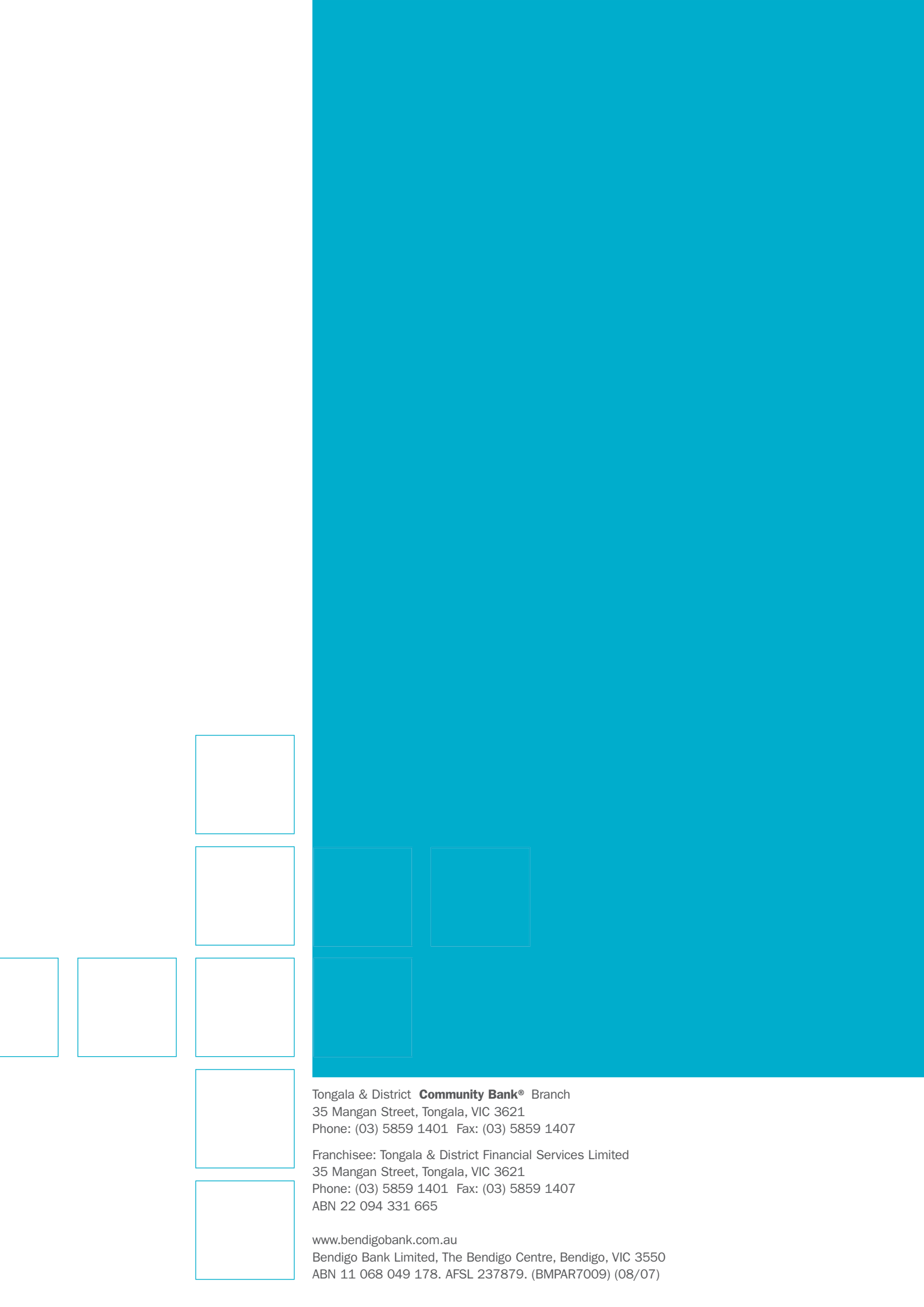
David Blanchard

Company Secretary

35 Mangan Street

Tongala, VIC 3621

Telephone: (03) 5859 1401



Tongala & District **Community Bank®** Branch
35 Mangan Street, Tongala, VIC 3621
Phone: (03) 5859 1401 Fax: (03) 5859 1407

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ABN 11 068 049 178. AFSL 237879. (BMPAR7009) (08/07)