

Form 388

Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

**TONGALA & DISTRICT FINANCIAL
SERVICES LIMITED**

ACN

094 331 665

Lodgement details

Registered agent number

23116

Registered agent name

R. DAVID BLANCHARD & ASSOCIATES

Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or
prescribed interest undertaking

Dates on which financial
year ends

Financial year end date

30-06-2011

Auditor's report

Were the financial statements audited?

Yes

Details of current auditor or auditors

Current auditor

Date of appointment **25-09-2001**

Name of auditor

RICHMOND SINNOTT & DELAHUNTY

Address

**10 FOREST STREET
BENDIGO VIC 3550**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Authentication

This form has been authenticated by

Name R. DAVID BLANCHARD & ASSOCIATES

This form has been authorised by

Name

Date

For help or more information

Telephone 1300 300 630

Email info.enquiries@asic.gov.au

Web www.asic.gov.au

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

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

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

Neil Pankhurst Chairman Farmer	Richard Herbert Director Baker
Ken Chapman Director Farmer	Ian Johnstone Director Farmer
Jean Courtney Director Director of Nursing	Ammie Grundy (resigned 24 August 2010) Director Bank Officer
David Blanchard Director / Company Secretary Public Accountant	Jill Regan Director Farmer
Ian Taylor Director Retired	Marlene Wallace (resigned 27 July 2010) Director Retired
Lyn Cosham (appointed 23 November 2010) Director Retired	David Newman (appointed 22 March 2011) Director Newsagent

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 and Adelaide Bank Limited.

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

Review of Operations

The profit/(loss) of the Company for the financial year after provision for income tax was \$7,442 (2010: (\$35,464)).

Dividends

No dividends were declared or paid during the year.

Tongala & District Financial Services Limited
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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration Report

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.

Director Ian Johnstone was paid \$9,600 (2010: \$9,527) in rent payments for lease of property for the year ended 30 June 2011. Company Secretary David Blanchard was paid \$9,000 (2010: \$12,000) for professional accounting and secretarial duties for the year ended 30 June 2011. These payments were made under normal commercial terms and conditions.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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.

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

Company Secretary

David Blanchard was appointed the Company secretary on 5 September 2007. Over the past thirty six 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 David Blanchard, Ian Johnstone, Ken Chapman, Jill Regan, Jean Courtney and David Newman;
- (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 during the year were:

Director	Board Meetings #
Number of meetings held	
Neil Pankhurst	8 (11)
Richard Herbert	8 (11)
Ian Johnstone	9 (11)
Jean Courtney	8 (11)
David Blanchard	5 (11)
Ken Chapman	8 (11)
Jill Regan	6 (11)
Ian Taylor	5 (11)
Marlene Wallace (resigned 27 July 2010)	1 (1)
Ammie Grundy (resigned 24 August 2010)	0 (2)
Lyn Cosham (appointed 23 November 2010)	6 (7)
David Newman (appointed 22 March 2011)	3 (4)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

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

Non Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 5 to the financial statements.

The directors have considered the non-audit services provided during the year by the auditor and are satisfied the provision of these services is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- (a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- (b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the auditors own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

**Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au**

Chartered Accountants

Auditor's Independence Declaration

In relation to our audit of the financial report of Tongala & District Financial Services Limited for the financial year ended 30 June 2011, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty
14 September 2011

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 14 September 2011



David Blanchard, Director

Tongala & District Financial Services Limited
ABN 22 094 331 665
Statement of Comprehensive Income
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	565,312	501,266
Employee benefits expense	3	(280,545)	(226,086)
Charitable donations and sponsorship		(25,964)	(97,634)
Depreciation and amortisation expense	3	(28,066)	(30,764)
Finance costs	3	(5,446)	(6,228)
Other expenses		<u>(217,433)</u>	<u>(185,466)</u>
Profit / (loss) before income tax expense / (benefit)		7,858	(44,912)
Income tax expense / (benefit)	4	<u>416</u>	<u>(9,448)</u>
Profit / (loss) after income tax expense / (benefit)		7,442	(35,464)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>7,442</u></u>	<u><u>(35,464)</u></u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	2.18	(10.39)
- diluted for profit / (loss) for the year	23	2.18	(10.39)

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
ABN 22 094 331 665
Statement of Financial Position
As at 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	164,222	178,782
Receivables	7	25,704	28,464
Total Current Assets		<u>189,926</u>	<u>207,246</u>
Non-Current Assets			
Property, plant and equipment	8	13,319	31,989
Deferred tax assets	4	13,861	14,277
Intangible assets	9	45,000	4,396
Total Non-Current Assets		<u>72,180</u>	<u>50,662</u>
Total Assets		<u>262,106</u>	<u>257,908</u>
Current Liabilities			
Payables	10	20,840	20,623
Loans and borrowings	11	15,256	17,071
Provisions	12	33,460	24,062
Total Current Liabilities		<u>69,556</u>	<u>61,756</u>
Non-Current Liabilities			
Loans and borrowings	11	44,346	55,390
Total Non-Current Liabilities		<u>44,346</u>	<u>55,390</u>
Total Liabilities		<u>113,902</u>	<u>117,146</u>
Net Assets		<u>148,204</u>	<u>140,762</u>
Equity			
Share capital	13	341,350	341,350
Accumulated losses	14	(193,146)	(200,588)
Total Equity		<u>148,204</u>	<u>140,762</u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
ABN 22 094 331 665
Statement of Cash Flows
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		618,343	541,596
Cash payments in the course of operations		(570,173)	(556,276)
Interest received		5,575	6,007
Interest expense		(5,446)	(6,228)
Income tax paid		-	1,578
Net cash flows from / (used in) operating activities	15b	<u>48,299</u>	<u>(13,323)</u>
 Cash Flows From Investing Activities			
Purchase of intangible assets		(50,000)	-
Net cash flows used in investing activities		<u>(50,000)</u>	<u>-</u>
 Cash Flows From Financing Activities			
Proceeds from / (repayments of) borrowings		(12,859)	49,816
Net cash flows from / (used in) financing activities		<u>(12,859)</u>	<u>49,816</u>
Net increase / (decrease) in cash held		(14,560)	36,493
Cash and cash equivalents at start of year		178,782	142,289
Cash and cash equivalents at end of year	15a	<u>164,222</u>	<u>178,782</u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
ABN 22 094 331 665
Statement of Changes in Equity
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
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>
ACCUMULATED LOSSES			
Balance at start of year		(200,588)	(165,124)
Profit/(loss) after income tax expense		7,442	(35,464)
Dividends paid	22	<u>-</u>	<u>-</u>
Balance at end of year		<u><u>(193,146)</u></u>	<u><u>(200,588)</u></u>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Tongala & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 14 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 financial statements.

Income tax

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

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

1. Basis of preparation of the Financial Report

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	10-20%
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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

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

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.

Loans and Borrowings

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.

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

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

Share 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.

Comparative Figures

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

2. Revenue from continuing operations

	2011	2010
	\$	\$
Operating activities		
- services commissions	559,737	495,259
- other revenue	-	-
	<u>559,737</u>	<u>495,259</u>
Non-operating activities:		
- interest received	5,575	6,007
- other revenue	-	-
	<u>5,575</u>	<u>6,007</u>
	<u>565,312</u>	<u>501,266</u>

3. Expenses

Employee benefits expense		
- wages and salaries	265,029	211,338
- superannuation costs	15,089	14,239
- workers' compensation costs	427	509
	<u>280,545</u>	<u>226,086</u>
Depreciation of non-current assets:		
- plant and equipment	15,096	13,066
- motor vehicle	3,574	7,148
Amortisation of non-current assets:		
- intangibles	9,396	10,550
	<u>28,066</u>	<u>30,764</u>
Finance costs:		
- interest paid	5,446	6,228
Bad debts	327	817

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

4. Income Tax Expense	2011	2010
	\$	\$
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	2,357	(13,474)
Add tax effect of:		
- Non-deductible expenses	4,139	3,850
- Prior year under / (over) provision	(6,080)	176
<i>Current income tax expense/(benefit)</i>	<u>416</u>	<u>(9,448)</u>
Income tax expense/(benefit)	<u>416</u>	<u>(9,448)</u>
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	<u>13,861</u>	<u>14,277</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	3,900	3,900
- Preparation and lodgement of taxation return	500	450
- Share registry services	1,600	275
	<u>6,000</u>	<u>4,625</u>
6. Cash and Cash Equivalents		
Cash assets	<u>164,222</u>	<u>178,782</u>
7. Receivables		
Trade debtors	<u>25,704</u>	<u>28,464</u>

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

8. Property, Plant and Equipment	2011	2010
	\$	\$
<i>Furniture & fittings</i>		
At cost	65,766	65,766
Less accumulated depreciation	(65,766)	(59,111)
	<u>-</u>	<u>6,655</u>
<i>Plant & equipment</i>		
At cost	42,200	42,200
Less accumulated depreciation	(28,881)	(20,440)
	<u>13,319</u>	<u>21,760</u>
<i>Leased motor vehicle</i>		
At cost	28,592	28,592
Less accumulated depreciation	(28,592)	(25,018)
	<u>-</u>	<u>3,574</u>
Total written down amount	<u>13,319</u>	<u>31,989</u>
Movements in carrying amounts		
<i>Furniture & fittings</i>		
Carrying amount at beginning of year	6,655	13,232
Additions	-	-
Disposals	-	-
Depreciation expense	(6,655)	(6,577)
Carrying amount at end of year	<u>-</u>	<u>6,655</u>
<i>Plant & equipment</i>		
Carrying amount at beginning of year	21,760	28,249
Additions	-	-
Disposals	-	-
Depreciation expense	(8,441)	(6,489)
Carrying amount at end of year	<u>13,319</u>	<u>21,760</u>
<i>Leased motor vehicle</i>		
Carrying amount at beginning of year	3,574	10,722
Additions	-	-
Disposals	-	-
Depreciation expense	(3,574)	(7,148)
Carrying amount at end of year	<u>-</u>	<u>3,574</u>
9. Intangible Assets		
<i>Establishment costs</i>		
At cost	50,000	52,750
Less accumulated amortisation	(5,000)	(48,354)
	<u>45,000</u>	<u>4,396</u>
10. Payables		
Trade creditors	<u>20,840</u>	<u>20,623</u>

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

	2011	2010
	\$	\$
11. Loans and Borrowings		
<i>Current</i>		
Bank loan	8,724	8,724
Lease liability	6,532	8,347
	<u>15,256</u>	<u>17,071</u>
<i>Non-Current</i>		
Bank loan	43,339	47,831
Lease liability	1,007	7,559
Total Non-Current	<u>44,346</u>	<u>55,390</u>
12. Provisions		
Employee benefits	<u>33,460</u>	<u>24,062</u>
Movement in employee benefits		
Opening balance	24,062	21,781
Additional provisions recognised	13,109	7,622
Amounts utilised during the year	<u>(3,711)</u>	<u>(5,341)</u>
Closing balance	<u>33,460</u>	<u>24,062</u>
13. Share Capital		
341,350 Ordinary Shares fully paid of \$1 each	<u>341,350</u>	<u>341,350</u>
14. Accumulated Losses		
Balance at the beginning of the financial year	(200,588)	(165,124)
Profit / (loss) after income tax	7,442	(35,464)
Balance at the end of the financial year	<u>(193,146)</u>	<u>(200,588)</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	<u>164,222</u>	<u>178,782</u>
(b) Reconciliation of profit / (loss) after tax to net cash provided from / (used in) operating activities		
Profit / (loss) after income tax	7,442	(35,464)
Non cash items		
- Depreciation	18,670	20,214
- Amortisation	9,396	10,550
Changes in assets and liabilities		
- (Increase) decrease in receivables	2,760	(2,269)
- Increase (decrease) in income tax payable	-	1,754
- Increase (decrease) in payables	217	(765)
- Increase (decrease) in provisions	9,398	2,281
- (Increase) decrease in deferred income tax asset	416	(9,624)
Net cashflows from / (used in) operating activities	<u>48,299</u>	<u>(13,323)</u>

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

16. Director and Related Party Disclosures

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

Neil Pankhurst
Richard Herbert
Ian Johnstone
Jean Courtney
David Blanchard
Ken Chapman
Jill Regan
Ian Taylor
Marlene Wallace (resigned 27 July 2010)
Ammie Grundy (resigned 24 August 2010)
Lyn Cosham (appointed 23 November 2010)
David Newman (appointed 22 March 2011)

Director Ian Johnstone was paid \$9,600 (2010: \$9,527) in rent payments for lease of property for the year ended 30 June 2011. Company Secretary David Blanchard was paid \$9,000 (2010: \$12,000) for professional accounting and secretarial duties for the year ended 30 June 2011. These 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	2011	2010
Neil Pankhurst	1,500	1,500
Richard Herbert	2,000	2,000
Ian Johnstone	5,000	5,000
Jean Courtney	528	528
David Blanchard	1,500	1,500
Ken Chapman	8,000	8,000
Jill Regan	2,000	2,000
Ian Taylor	1,000	1,000
Marlene Wallace (resigned 27 July 2010)	-	-
Ammie Grundy (resigned 24 August 2010)	-	-
Lyn Cosham (appointed 23 November 2010)	1,000	1,000
David Newman (appointed 22 March 2011)	-	-

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

17. Subsequent Events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent Liabilities and Assets

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

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

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.

20. Corporate Information

Tongala & District Financial Services Limited 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

21. Lease Commitments

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

	2011	2010
	\$	\$
Payable:		
No later than 1 year	6,532	9,380
Later than 1 year & not later than 5 years	1,962	8,430
Later than 5 years	-	-
	<u> </u>	<u> </u>
Minimum lease payments	8,494	17,810
Less future finance charges	(955)	(1,904)
	<u>7,539</u>	<u>15,906</u>

22. Dividends paid or provided for on ordinary shares

(a) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year	9,258	9,258
- Franking debits that will arise from the payment of income tax payable as at the end of the financial year	-	-
	<u> </u>	<u> </u>
	<u>9,258</u>	<u>9,258</u>

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

	2011	2010
	\$	\$
23. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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 / (loss) after income tax expense	<u>7,442</u>	<u>(35,464)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>341,350</u>	<u>341,350</u>

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	2011	2010
	\$	\$
Cash assets	164,222	178,782
Receivables	25,704	28,464
	<u>189,926</u>	<u>207,246</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

24. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2011					
Payables	20,840	(20,840)	(20,840)	-	-
Loans and borrowings	59,602	(78,068)	(15,256)	(28,134)	(34,678)
	<u>80,442</u>	<u>(98,908)</u>	<u>(36,096)</u>	<u>(28,134)</u>	<u>(34,678)</u>
30 June 2010					
Payables	20,623	(20,623)	(20,623)	-	-
Loans and borrowings	72,461	(96,108)	(18,104)	(34,602)	(43,402)
	<u>93,084</u>	<u>(116,731)</u>	<u>(38,727)</u>	<u>(34,602)</u>	<u>(43,402)</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<u>Carrying Amount</u>	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	60,000	62,700
Financial liabilities	(59,602)	(72,461)
	<u>398</u>	<u>(9,761)</u>
Variable rate instruments		
Financial assets	104,222	116,082
Financial liabilities	-	-
	<u>104,222</u>	<u>116,082</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

Tongala & District Financial Services Limited
ABN 22 094 331 665
Notes to the Financial Statements
for the year ended 30 June 2011

24. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the year.

Tongala & District Financial Services Limited
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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (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 2011.



David Blanchard, Director

Signed at Tongala, Victoria on 14 September 2011.

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 14 September 2011.

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. Winpar Holdings Ltd	6,500	1.90%
9. Mr Lance H Tomkins	6,000	1.76%
10. Mr Raymond E & Mrs Lynette M Walsh	6,000	1.76%
	100,500	29.44%

C. Voting rights

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

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	202	125,878
1,001 - 5,000	40	109,972
5,001 - 10,000	10	75,500
10,001 - 100,000	1	30,000
100,000 and over	0	0
Total	253	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 access 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 not arisen between the information in the company's Annexure 3A and the information in the financial documents in its annual report

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

Richmond Sinnott & Delahunty
PO Box 30
Bendigo, Vic. 3552
Telephone: +61 3 5443 1177

H. Tongala & District Financial Services Limited

David Blanchard
Company Secretary
35 Mangan Street
Tongala VIC 3621
Telephone: 03 5859 1401