

# 2008 annual report



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# Chairman's report

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For year ending 30 June 2008

Welcome to our Annual Report for 2008.

It may not be drought breaking, but I am delighted to report that as I write this the rain is falling steadily with more predicted- a great sign for the coming year.

And as with life, we have had our ups and downs this past year. Suzie Cornwall resigning from the Board will be greatly missed for her enthusiasm and expertise; we wish Suzie well with all of her future endeavours. On the upside, we picked up Neil Pankhurst who will undoubtedly provide fresh thought to our team. We also welcome Ammie Grundy, our new Customer Service Officer at the branch. Aimee has joined our team so Maree is able to take maternity leave; we wish Maree all the best for the safe arrival of her new little addition to her family.

It is always a pleasure to report on some of the successes that our Tongala & District Financial Services Team have been able to achieve through the past year. We are very lucky in Tongala to have the advantage of our team not just comprising of either Board members or employees, instead both parties have incredible dedication and passion which generates a very enthusiastic "Team" who always strive to see our projects succeed for our community.

One of our great successes of the year has to be the acquisition of a bus for the Tongala Aged Care. This is a wonderful example of who we are and what we can do and we could not have done it without the help of our Tongala & District Financial Services Team. As mentioned in last year's report we have been very happy to have an association with Rural Ambulance Victoria through the Community Emergency Response Team (CERT) This has become a very important resource for our town and surrounding area, being able to provide the security and peace of mind to know that when 000 is dialled for an ambulance the local members of CERT will also be dispatched to provide potentially lifesaving first aid assistance.

I look forward to another successful year ahead for our Tongala & District **Community Bank**<sup>®</sup> Branch and would like to thank everyone who has in the past and still continue to promote and spread the word of our branch. Without the support of these people, whether they are Board members, staff, shareholders or customers of our Tongala branch we would not be able to look forward to the strong future that I firmly believe we have together.



**Richard Herbert**  
**Chairman**

# Manager's report

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For year ending 30 June 2008

Another financial year has passed and another AGM is upon us. This is a time for us to review just where we are at and what has been achieved. We are currently sitting at just over \$40 million in overall business, made up of \$13 million in lending and \$27 million in deposits. I consider this to be a good result given the current economic conditions.

Over the past year Maree returned from maternity leave and our team has remained stable. The team now consists of our Customer Service Manager Maree McNamara, and our Customer Service Officers Tamar Pankhurst, Kate Nunn and Leanne Willis. The staff is continually training to ensure prudential standards are met and the highest standards are maintained. Tongala branch now boasts over 50 years of banking experience and 40 years of that are with Bendigo Bank.

In this past year we were very proud to announce that we were able to provide sponsorship for the Tongala Aged Care by purchasing a bus. We have also committing to provide the ongoing funding for the running costs of the bus from the income of our Telco initiative. The other major sponsorship project was for the Community Emergency Response Team who are now up and running. It's great to see them out and about helping the community when required. We have also provided sponsorship funds for many other community groups throughout the year.

Customers are still surprised to learn the full range of banking services that can be offered through the Tongala branch ie: health insurance, superannuation, financial services, agribusiness products and services, merchant facilities, telco and many more.

To those who bank with us, I ask you to continue your word of mouth advertising as it is the best promotion we can get and of course it is at the right price! Customer service remains our major focus and it is this commitment that sets us apart from our competition.

I would like to make the offer this year, if you have not experience our unique style of banking and telephone/internet services, to contact the branch and join the happy customers currently doing business with us. For those already doing business with us, thank you for your support, our bottom line is a direct result of that support.

I would like to take this opportunity to thank both the Board and staff for their continued support and friendship. The success we have enjoyed in a tough year is the result of a lot of hard work done by a dedicated team, who share the same values of service and commitment.



**Kareen Delaney**  
**Branch Manager**

# Director's report

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For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

## 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** (resigned 24 June 2008)

Director  
Business Proprietor

### **Ian Johnstone**

Director  
Farmer

### **Ken Chapman**

Director  
Farmer

### **Rohan Garth** (resigned 19 December 2007)

Director  
Engineer

### **Garry McConnell** (resigned 19 December 2007)

Director  
Business Proprietor

### **Lance Tomkins**

Director  
Farmer

### **Jean Courtney**

Director  
Director of Nursing

### **David Blanchard**

Director / Company Secretary  
Public Accountant

### **Neil Pankhurst** (appointed 25 March 2008)

Director  
Farmer

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

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**<sup>®</sup> 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.

# Director's report continued

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## 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 \$58,132 (2007: \$26,133).

Dividends	Period ended 30 June 2008	
	Cents per share	\$
Dividends paid in the period	5	17,068

## 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.

Director Ian Johnstone was paid \$7,825 (2007: \$7,115) in rent payments for lease of property for the year ended 30 June 2008. Company Secretary David Blanchard was paid \$15,000 (2007: \$Nil) for professional accounting and secretarial duties for the year ended 30 June 2008. These payments were made under normal commercial terms and conditions.

# Director's report continued

## Executive remuneration

<b>Branch Manager</b>	<b>Primary benefits salary &amp; fees \$</b>	<b>Post employment superannuation \$</b>	<b>Other * \$</b>	<b>Total \$</b>
Kareen Delaney				
2008	45,509	4,175	-	49,684
2007	8,514	735	-	9,249
Colin Wells				
2007	58,632	4,766	5,645	69,043

\* 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 was the Company Secretary of Tongala District Financial Services Ltd since its inception, until resigning on 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.

## Director's report continued

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### Directors meetings

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

<b>Number of meetings held:</b>	<b>11</b>
<hr/>	
<b>Number of meetings attended:</b>	
<hr/>	
Richard Herbert	11
<hr/>	
Jill Regan	11
<hr/>	
Ian Johnstone	10
<hr/>	
Ken Chapman	11
<hr/>	
Rohan Garth (resigned 19 December 2007)	0
<hr/>	
Garry McConnell (resigned 19 December 2007)	0
<hr/>	
Lance Tomkins	5
<hr/>	
Suzi Cornwall (resigned 24 June 2008)	4
<hr/>	
Jean Courtney	8
<hr/>	
David Blanchard	10
<hr/>	
Neil Pankhurst (appointed 25 March 2008)	4
<hr/>	

### Auditor independence declaration

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

Richmond Sinnott & Delahunty  
Chartered Accountants



**Richmond Sinnott & Delahunty**  
Chartered Accountants



172 McIvor Road  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

**Auditor's independence declaration**

In relation to our audit of the financial report of Tongala & District Financial Services Ltd for the financial year ended 30 June 2008, 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

11 September 2008

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on 11 September 2008.



**David Blanchard**  
**Director**

# Financial statements

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## Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	508,709	454,668
Employee benefits expense	3	(160,266)	(195,196)
Charitable donations and sponsorship		(25,940)	(5,729)
Depreciation and amortisation expense	3	(28,495)	(20,654)
Finance costs	3	(4,020)	(6,994)
Administration and other expenses from ordinary activities		(206,943)	(184,241)
<b>Profit before income tax expense</b>		<b>83,045</b>	<b>41,854</b>
Income tax expense	4	24,913	15,721
<b>Profit after income tax expense</b>		<b>58,132</b>	<b>26,133</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	17.03	7.66
- diluted for profit for the year	23	17.03	7.66
- dividends paid per share	22	5.00	5.00

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Current assets</b>			
Cash assets	6	190,575	104,990
Receivables	7	31,542	28,951
<b>Total current assets</b>		<b>222,117</b>	<b>133,941</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	52,907	64,372
Deferred income tax asset	4	-	8,871
Intangible assets	9	25,496	36,046
<b>Total non-current assets</b>		<b>78,403</b>	<b>109,289</b>
<b>Total assets</b>		<b>300,520</b>	<b>243,230</b>
<b>Current liabilities</b>			
Payables	10	29,850	31,317
Current tax liabilities	4	16,042	-
Interest bearing liabilities	11	7,021	7,022
Provisions	12	14,197	5,523
<b>Total current liabilities</b>		<b>67,110</b>	<b>43,862</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	11	23,504	30,526
<b>Total non-current liabilities</b>		<b>23,504</b>	<b>30,526</b>
<b>Total liabilities</b>		<b>90,614</b>	<b>74,388</b>
<b>Net assets</b>		<b>209,906</b>	<b>168,842</b>
<b>Equity</b>			
Share capital	13	341,350	341,350
Accumulated losses	14	(131,444)	(172,508)
<b>Total equity</b>		<b>209,906</b>	<b>168,842</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		547,554	510,824
Cash payments in the course of operations		(435,544)	(446,976)
Interest received		8,166	4,752
Interest expense		(4,020)	(6,994)
<b>Net cash flows from operating activities</b>	<b>15b</b>	<b>116,156</b>	<b>61,606</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant & equipment		-	17,257
Purchase of property, plant & equipment		(6,480)	(44,802)
<b>Net cash flows used in investing activities</b>		<b>(6,480)</b>	<b>(27,545)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(17,068)	(17,068)
Proceeds from/(repayments of) borrowings		(7,023)	11,192
<b>Net cash flows used in financing activities</b>		<b>(24,091)</b>	<b>(5,876)</b>
<b>Net increase in cash held</b>		<b>85,585</b>	<b>28,185</b>
Add opening cash brought forward		104,990	76,805
<b>Closing cash carried forward</b>	<b>15a</b>	<b>190,575</b>	<b>104,990</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
<b>SHARE CAPITAL</b>			
<b>Ordinary shares</b>			
Balance at start of year		341,350	341,350
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>341,350</b>	<b>341,350</b>
<b>Accumulated losses</b>			
Balance at start of year		(172,508)	(181,573)
Profit after income tax expense		58,132	26,133
Dividends paid		(17,068)	(17,068)
<b>Balance at end of year</b>		<b>(131,444)</b>	<b>(172,508)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2008

## 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 11 September 2008.

### **(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 2007 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 the financial statements continued

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## 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:

<b>Class of asset</b>	<b>Depreciation rate</b>
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 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 the financial statements continued

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## 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 the 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.

	2008 \$	2007 \$
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## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	500,543	449,916
- other revenue	-	-
<b>Total revenue from operating activities</b>	<b>500,543</b>	<b>449,916</b>
<b>Non-operating activities:</b>		
- interest received	8,166	4,752
- other revenue	-	-
<b>Total revenue from non-operating activities</b>	<b>8,166</b>	<b>4,752</b>
<b>Total revenue from ordinary activities</b>	<b>508,709</b>	<b>454,668</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	145,623	178,001
- superannuation costs	13,544	16,634
- workers' compensation costs	1,099	561
	<b>160,266</b>	<b>195,196</b>
<b>Depreciation of non-current assets:</b>		
- plant and equipment	10,797	6,530
- motor vehicle	7,148	3,574
<b>Amortisation of non-current assets:</b>		
- intangibles	10,550	10,550
	<b>28,495</b>	<b>20,654</b>
<b>Finance costs:</b>		
- interest paid	4,020	6,994
Bad debts	411	17
<b>Note 4. Income tax expense</b>		
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%	24,913	12,556
Add tax effect of:		
- Non-deductible expenses	-	3,165
<b>Current income tax expense</b>	<b>24,913</b>	<b>15,721</b>
<b>Income tax expense</b>	<b>24,913</b>	<b>15,721</b>
<b>Deferred income tax asset</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>		
	-	<b>8,871</b>
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>16,042</b>	-

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 5. Auditors' remuneration</b>		
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
	<b>4,100</b>	<b>4,100</b>

### Note 6. Cash assets

<b>Cash assets</b>	<b>190,575</b>	<b>104,990</b>
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### Note 7. Receivables

Trade debtors	30,194	28,951
Prepayments	1,348	-
	<b>31,542</b>	<b>28,951</b>

### Note 8. Property, plant and equipment

#### Furniture & fittings

At cost	65,766	65,766
Less accumulated depreciation	(45,957)	(39,380)
	<b>19,809</b>	<b>26,386</b>

#### Plant & equipment

At cost	22,690	16,210
Less accumulated depreciation	(7,462)	(3,242)
	<b>15,228</b>	<b>12,968</b>

#### Leased motor vehicle

At cost	28,592	28,592
Less accumulated depreciation	(10,722)	(3,574)
	<b>17,870</b>	<b>25,018</b>

<b>Total written down amount</b>	<b>52,907</b>	<b>64,372</b>
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## Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Furniture &amp; fittings</b>		
Carrying amount at beginning of year	26,386	29,674
Additions	-	-
Disposals	-	-
Depreciation expense	(6,577)	(3,288)
<b>Carrying amount at end of year</b>	<b>19,809</b>	<b>26,386</b>
<b>Plant &amp; equipment</b>		
Carrying amount at beginning of year	12,968	2,821
Additions	6,480	16,210
Disposals	-	(2,821)
Depreciation expense	(4,220)	(3,242)
<b>Carrying amount at end of year</b>	<b>15,228</b>	<b>12,968</b>
<b>Leased motor vehicle</b>		
Carrying amount at beginning of year	25,018	14,436
Additions	-	28,592
Disposals	-	(14,436)
Depreciation expense	(7,148)	(3,574)
<b>Carrying amount at end of year</b>	<b>17,870</b>	<b>25,018</b>

## Note 9. Intangible assets

<b>Establishment costs</b>		
At cost	52,750	52,750
Less accumulated amortisation	(27,254)	(16,704)
	<b>25,496</b>	<b>36,046</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
Note 10. Payables		
<b>Trade creditors</b>	<b>29,850</b>	<b>31,317</b>

## Note 11. Interest bearing liabilities

Current

<b>Lease liability</b>	<b>7,021</b>	<b>7,022</b>
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Non-Current

<b>Lease liability</b>	<b>23,504</b>	<b>30,526</b>
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## Note 12. Provisions

Employee benefits	14,197	5,523
<b>Number of employees at year end</b>	<b>4</b>	<b>4</b>

## Note 13. Share capital

<b>341,350 Ordinary Shares fully paid of \$1 each</b>	<b>341,350</b>	<b>341,350</b>
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## Note 14. Accumulated losses

Balance at the beginning of the financial year	(172,508)	(181,573)
Profit after income tax	58,132	26,133
Payment of dividends	(17,068)	(17,068)
<b>Balance at the end of the financial year</b>	<b>(131,444)</b>	<b>(172,508)</b>

## Note 15. Cash flow statement

### (a) Reconciliation of cash

<b>Cash assets</b>	<b>190,575</b>	<b>104,990</b>
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## Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Cash flow statement (continued)		
<b>(b) Reconciliation of profit after tax to net cash provided from operating activities</b>		
Profit after income tax	58,132	26,133
Non cash items		
- Depreciation	17,945	10,104
- Amortisation	10,550	10,550
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,591)	13,351
- Increase (decrease) in income tax payable	16,042	-
- Increase (decrease) in payables	(1,467)	(4,985)
- Increase (decrease) in provisions	8,674	(9,268)
- (Increase) decrease in deferred income tax asset	8,871	15,721
<b>Net cash flows from operating activities</b>	<b>116,156</b>	<b>61,606</b>

## 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 (resigned 19 December 2007)

Garry McConnell (resigned 19 December 2007)

Lance Tomkins

Suzi Cornwall (resigned 24 June 2008)

Jean Courtney

David Blanchard

Neil Pankhurst (appointed 25 March 2008)

## Notes to the financial statements continued

### Note 16. Director and related party disclosures (continued)

Director Ian Johnstone was paid \$7,825 (2007: \$7,115) in rent payments for lease of property for the year ended 30 June 2008. Company Secretary David Blanchard was paid \$15,000 (2007: \$Nil) for professional accounting and secretarial duties for the year ended 30 June 2008. 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.

<b>Directors shareholdings</b>	<b>2008</b>	<b>2007</b>
Richard Herbert	500	500
Jill Regan	2,000	2,000
Ian Johnstone	5,000	5,000
Ken Chapman	8,000	8,000
Rohan Garth (resigned 19 December 2007)	500	500
Garry McConnell (resigned 19 December 2007)	2,500	2,500
Lance Tomkins	6,000	6,000
Suzi Cornwall (resigned 24 June 2008)	500	500
Jean Courtney	528	528
David Blanchard	1,500	1,000
Neil Pankhurst (appointed 25 March 2008)	500	500

Each share held has a paid up value of \$1 and is fully paid.

### Executive remuneration

<b>Branch Manager</b>	<b>Primary benefits salary &amp; fees \$</b>	<b>Post employment superannuation \$</b>	<b>Other * \$</b>	<b>Total \$</b>
Kareen Delaney (appointed 02/03/07)				
2008	45,509	4,175	-	49,684
2007	8,514	735	-	9,249
Colin Wells (resigned 02/03/07)				
2007	58,632	4,766	5,732	69,130

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

## Notes to the financial statements continued

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### 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 & 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 Street,  
Tongala VIC 3621

**2008**  
\$

**2007**  
\$

### Note 21. Lease commitments

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

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**Payable:**

No later than 1 year	11,041	11,041
Later than 1 year & not later than 5 years	24,187	35,228
Later than 5 years	-	-
Minimum lease payments	35,228	46,269
Less future finance charges	(4,703)	(13,614)
	<b>30,525</b>	<b>32,655</b>

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## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 22. Dividends paid or provided for on ordinary shares</b>		
Dividends paid during the year		
Unfranked dividends - 5 cents per share (2007: 5 cents per share)		
	17,068	17,068

### 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:

<b>Profit after income tax expense</b>	<b>58,132</b>	<b>26,133</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>341,350</b>	<b>341,350</b>

### Note 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.

## Notes to the financial statements continued

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### Note 24. Financial risk management (continued)

#### (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 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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	2007
	\$	\$
Cash assets	190,575	104,990
Receivables	31,542	28,951
	<b>222,117</b>	<b>133,941</b>

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

None of the assets of the Company are past due (2007: 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.

## Notes to the financial statements continued

### Note 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 \$
<b>30 June 2008</b>					
Payables	29,850	(29,850)	(29,850)	-	-
Interest bearing liabilities	30,525	(35,228)	(11,041)	(24,187)	-
	<b>60,375</b>	<b>(65,078)</b>	<b>(40,891)</b>	<b>(24,187)</b>	-
<b>30 June 2007</b>					
Payables	31,317	(31,317)	(31,317)	-	-
Interest bearing liabilities	37,548	(46,269)	(11,041)	(35,228)	-
	<b>68,865</b>	<b>(77,586)</b>	<b>(42,358)</b>	<b>(35,228)</b>	-

#### (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:

	Carrying amount	
	2008 \$	2007 \$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(30,525)	(37,548)
	<b>(30,525)</b>	<b>(37,548)</b>
<b>Variable rate instruments</b>		
Financial assets	190,575	104,990
Financial liabilities	-	-
	<b>190,575</b>	<b>104,990</b>

# Notes to the financial statements continued

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Note 24. Financial risk management (continued)

## **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 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

## **(d) 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.

## **(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 Balance Sheet.

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 2008 can be seen in the Income Statement.

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

# Director's declaration

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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 2008 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 2008.



**David Blanchard**

**Director**

Signed at Tongala, Victoria on 11 September 2008.

# Independent audit report

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## 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 2008.

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 established 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.

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Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: [rsd@rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)  
ABN 60 616 244 309

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## Independent audit report continued

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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 2008 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*

**RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**

Partner

Bendigo

Date: 11 September 2008

# BSX report

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Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 11 September 2008.

## 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%
	<b>100,000</b>	<b>29.29%</b>

## C. Voting rights

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



# BSX report continued

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## 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
<b>Total</b>	<b>253</b>	<b>341,350</b>

## 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:

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**<sup>®</sup> Branch  
35 Mangan Street, Tongala VIC 3621  
Phone: (03) 5859 1401 Fax: (03) 5859 1407

Franchisee: Tongala & District Financial Services Limited  
35 Mangan Street, Tongala VIC 3621  
Phone: (03) 5859 1401 Fax: (03) 5859 1407  
ABN 22 094 331 665

[www.bendigobank.com.au](http://www.bendigobank.com.au)

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR8039) (08/08)