annual report 2010

Tongala & District
Financial Services Limited
ABN 22 094 331 665

Tongala & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Welcome to our Annual Report for 2010.

Although things are looking much better from both the drought and the Global Financial Crisis, I am hesitant to appear too optimistic because our farmers and the region in general are still hurting. I personally will consider the drought broken when our irrigators start the season with 100% of their allocation. The Global Financial Crisis is recovering and hopefully enough to allow us to pay a dividend and keep on supporting the community groups within Tongala and District.

The past twelve months have seen us give $30,000 to the Tongala Aged Care to go towards the extension of the Helen Macpherson – Smith Dementia Wing and another $30,000 towards the redevelopment of the Tongala Fire Station.

Ben Langley, who has joined our team as a Mobile Relationship Manager, is out and about and happy to visit you at your place. Kareen Delaney our Customer Relationship Manager is in the branch and happy to answer any banking and lending enquiries. Tamar Pankhurst, our Customer Relationship Officer, took on the arduous task of co-ordinating a very successful Ban the Bulb Program which had volunteers from the Tongala Fire Brigade, Tongala Apex Club and Kanyapella/Koyuga Land Care Group replace 3,910 light bulbs in Tongala and District resulting in $7,820 being raised and shared by these groups. Kate Nunn and Leanne Willis are our Customer Service Officers and are our first port of call where first impressions are formed. Leanne has also taken the role of Promotions Officer for the Board, keeping the community aware of the various projects Tongala **Community Bank®** Branch is involved in or supporting. Maree is on maternity leave after the birth of baby Isla and will be back later this year.

Community is what we are all about and this is reflected in the things we do and the projects we support, such as the CERT program, and the Dial a Bus using the Aged Care Bus to service the general community each Thursday by simply calling the branch. Our ATM has been installed for over four years now and was put in to enable everyone in the community access to ATM services 24 hours a day.

Yours sincerely,

Richard Herbert
Chairman

Manager's report

For year ending 30 June 2010

The Tongala **Community Bank®** Branch celebrates a significant milestone this year with our 10th birthday in December. This is a fantastic achievement for the branch and the community and we encourage you to come along to help celebrate this milestone.

Our total business currently sits at $43 million. We have seen some steady growth during the last 12 months in some continued trying conditions as we look to push our total business size to $50 million. With the worst of the drought and global financial crisis hopefully behind us, we feel that confidence is starting to return and a real sense of optimism is evident.

We have had a couple of staff changes in recent times with the appointment of Ben Langley as our Mobile Relationship Manager. Ben can assist with all aspects of lending and general banking products with the convenience of visiting you at your home or business premises if needed. This has now given the branch more scope to attract business given Ben's role is mobile. Maree McNamara has commenced maternity leave with the birth of her daughter Isla. We expect to see Maree back on board with us in the future. Our team now consists of Kareen Delaney, Ben Langley, Tamar Pankhurst, Kate Nunn and Leanne Willis.

We have been quite active in the community during the last 12 months with several contributions made to local organisations. We look forward to being able to assist further projects in our community, and banking with the Tongala **Community Bank®** Branch will enable us to have the ability to distribute further funds in our local community.

I would like to take this opportunity to thank the staff and Board for their support and efforts throughout the last 12 months. As a team we are looking to build on our existing customer relationships and to assist new customers with our full range of banking products.

Kareen Delaney
Customer Relationship Manager

Ben Langley
Mobile Relationship Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

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

Ken Chapman
Director
Farmer

Jean Courtney
Director
Director of Nursing

David Blanchard
Director / Company Secretary
Public Accountant

Ian Taylor
Director
Retired

Ammie Grundy (resigned 24 August 2010)
Director
Bank Officer

Jill Regan
Director
Farmer

Ian Johnstone
Director
Retired

Lance Tomkins (resigned 15 February 2010)
Director
Farmer

Neil Pankhurst
Director
Farmer

Marlene Wallace (resigned 27 July 2010)
Director
Retired

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®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Operating results

The loss of the Company for the financial year after provision for income tax was ($35,464) (2009: ($16,612)).

Dividends

No dividends were declared or paid during the year.

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 $9,527 (2009: $7,650) in rent payments for lease of property for the year ended 30 June 2010. Company Secretary David Blanchard was paid $12,000 (2009: $12,000) for professional accounting and secretarial duties for the year ended 30 June 2010. 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.

Directors' report continued

Company Secretary

David Blanchard was appointed the Company Secretary on 5 September 2007. Over the past thirty five 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 and Jean Courtney;

(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	Audit committee meetings
Number of meetings held	10	1
Richard Herbert	10	N/A
Jill Regan	10	0
Ian Johnstone	10	0
Jean Courtney	8	0
Lance Tomkins (resigned 15 February 2010)	0	N/A
David Blanchard	8	1
Ken Chapman	9	1
Neil Pankhurst	8	N/A
Ian Taylor	7	N/A
Marlene Wallace (resigned 27 July 2010)	5	N/A
Ammie Grundy (resigned 24 August 2010)	3	N/A

N/A - not a member of that Committee.

Auditor Independence Declaration

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

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

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 2010, 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

10 September 2010

Signed in accordance with a resolution of the Board of Directors at Tongala, Victoria on
10 September 2010

David Blanchard
Director

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	501,266	454,473
Employee benefits expense	3	(226,086)	(211,268)
Charitable donations and sponsorship		(97,634)	(38,977)
Depreciation and amortisation expense	3	(30,764)	(30,764)
Finance costs	3	(6,228)	(3,161)
Administration and other expenses from ordinary activities		(185,466)	(191,037)
Profit / (loss) before income tax expense / (benefit)		**(44,912)**	**(20,734)**
Income tax expense / (benefit)	4	(9,448)	(4,122)
Profit / (loss) after income tax expense / (benefit)		**(35,464)**	**(16,612)**
Other comprehensive income		-	-
Total comprehensive income		**(35,464)**	**(16,612)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	(10.39)	(4.87)
- diluted for profit / (loss) for the year	23	(10.39)	(4.87)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	178,782	142,289
Receivables	7	28,464	26,195
Current tax assets	4	-	1,754
Total current assets		**207,246**	**170,238**
Non-current assets			
Property, plant and equipment	8	31,989	52,203
Deferred tax assets	4	14,277	4,653
Intangible assets	9	4,396	14,946
Total non-current assets		**50,662**	**71,802**
Total assets		**257,908**	**242,040**
Current liabilities			
Payables	10	20,623	21,388
Loans and borrowings	11	17,071	18,285
Provisions	12	24,062	21,781
Total current liabilities		**61,756**	**61,454**
Non-current liabilities			
Loans and borrowings	11	55,390	4,360
Total non-current liabilities		**55,390**	**4,360**
Total liabilities		**117,146**	**65,814**
Net assets		**140,762**	**176,226**
Equity			
Share capital	13	341,350	341,350
Accumulated losses	14	(200,588)	(165,124)
Total equity		**140,762**	**176,226**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		541,596	494,817
Cash payments in the course of operations		(556,276)	(486,036)
Interest received		6,007	8,879
Interest expense		(6,228)	(3,161)
Income tax paid		1,578	(18,327)
Net cash flows from / (used in) operating activities	**15b**	**(13,323)**	**(3,828)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(19,510)
Net cash flows used in investing activities		**-**	**(19,510)**
Cash flows from financing activities			
Dividends paid		-	(17,068)
Proceeds from / (repayments of) borrowings		49,816	(7,880)
Net cash flows used in financing activities		**49,816**	**(24,948)**
Net increase / (decrease) in cash held		**36,493**	**(48,286)**
Cash and cash equivalents at start of year		142,289	190,575
Cash and cash equivalents at end of year	**15a**	**178,782**	**142,289**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
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**
Accumulated losses			
Balance at start of year		(165,124)	(131,444)
Profit/(loss) after income tax expense		(35,464)	(16,612)
Dividends paid	22	-	(17,068)
Balance at end of year		**(200,588)**	**(165,124)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 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 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** 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 10 September 2010.

(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.

(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 2009 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.

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

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Plant & equipment	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.

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

Goods and services tax (continued)

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the 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.

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.

Loans and borrowings

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.

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.

	2010 $	2009 $

Note 2. Revenue from ordinary activities

Operating activities		
- services commissions	495,259	438,747
- other revenue	-	-
Total revenue from operating activities	**495,259**	**438,747**
Non-operating activities:		
- interest received	6,007	8,879
- other revenue	-	6,847
Total revenue from non-operating activities	**6,007**	**15,726**
Total revenue from ordinary activities	**501,266**	**454,473**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	211,338	194,004
- superannuation costs	14,239	17,189
- workers' compensation costs	509	75
	226,086	**211,268**

	2010 $	2009 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	13,066	13,066
- motor vehicle	7,148	7,148
Amortisation of non-current assets:		
- intangibles	10,550	10,550
	30,764	**30,764**
Finance costs:		
- interest paid	6,228	3,161
Bad debts	817	677

Note 4. Income tax expense

	2010 $	2009 $
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%	(13,474)	(6,220)
Add tax effect of:		
- Non-deductible expenses	3,850	1,567
- Prior year under / (over) provision	176	531
Current income tax expense/(benefit)	**(9,448)**	**(4,122)**
Income tax expense/(benefit)	**(9,448)**	**(4,122)**
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.	**14,277**	**4,653**
Tax liabilities		
Current tax payable/(refund)	**-**	**(1,754)**

Notes to the financial statements continued

	2010 $	2009 $

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	3,900	3,650
- Preparation and lodgement of taxation return	450	450
- Share registry services	275	1,925
	4,625	**4,100**

Note 6. Cash and cash equivalents

Cash assets	**178,782**	**142,289**

Note 7. Receivables

Trade debtors	**28,464**	**26,195**

Note 8. Property, plant and equipment

Furniture & fittings		
At cost	65,766	65,766
Less accumulated depreciation	(59,111)	(52,534)
	6,655	**13,232**
Plant & equipment		
At cost	42,200	42,200
Less accumulated depreciation	(20,440)	(13,951)
	21,760	**28,249**
Leased motor vehicle		
At cost	28,592	28,592
Less accumulated depreciation	(25,018)	(17,870)
	3,574	**10,722**
Total written down amount	**31,989**	**52,203**

Notes to the financial statements continued

	2010 $	2009 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

	2010 $	2009 $
Furniture & fittings		
Carrying amount at beginning of year	13,232	19,809
Additions	-	-
Disposals	-	-
Depreciation expense	(6,577)	(6,577)
Carrying amount at end of year	**6,655**	**13,232**
Plant & equipment		
Carrying amount at beginning of year	28,249	15,228
Additions	-	19,510
Disposals	-	-
Depreciation expense	(6,489)	(6,489)
Carrying amount at end of year	**21,760**	**28,249**
Leased motor vehicle		
Carrying amount at beginning of year	10,722	17,870
Additions	-	-
Disposals	-	-
Depreciation expense	(7,148)	(7,148)
Carrying amount at end of year	**3,574**	**10,722**

Note 9. Intangible assets

Establishment costs

	2010 $	2009 $
At cost	52,750	52,750
Less accumulated amortisation	(48,354)	(37,804)
	4,396	**14,946**

Notes to the financial statements continued

	2010 $	2009 $
Note 10. Payables		
Trade creditors	**20,623**	**21,388**

Note 11. Loans and borrowings

	2010 $	2009 $
Current		
Bank loan	8,724	-
Lease liability	8,347	18,285
	17,071	**18,285**
Non-current		
Bank loan	47,831	-
Lease liability	7,559	4,360
Total non-current	**55,390**	**4,360**

Note 12. Provisions

	2010 $	2009 $
Employee benefits	**24,062**	**21,781**

Note 13. Share capital

	2010 $	2009 $
341,350 Ordinary shares fully paid of $1 each	**341,350**	**341,350**

Note 14. Accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	(165,124)	(131,444)
Profit after income tax	(35,464)	(16,612)
Payment of dividends	-	(17,068)
Balance at the end of the financial year	**(200,588)**	**(165,124)**

	2010 $	2009 $

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2010 $	2009 $
Cash assets	**178,782**	**142,289**
(b) Reconciliation of profit / (loss) after tax to net cash provided from / (used in) operating activities		
Profit / (loss) after income tax	(35,464)	(16,612)
Non cash items		
- Depreciation	20,214	20,214
- Amortisation	10,550	10,550
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,269)	5,347
- Increase (decrease) in income tax payable	1,754	(17,796)
- Increase (decrease) in payables	(765)	(8,462)
- Increase (decrease) in provisions	2,281	7,584
- (Increase) decrease in deferred income tax asset	(9,624)	(4,653)
Net cash flows from / (used in) operating activities	**(13,323)**	**(3,828)**

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

Jean Courtney

Lance Tomkins (resigned 15 February 2010)

David Blanchard

Ken Chapman

Neil Pankhurst

Ian Taylor

Marlene Wallace (resigned 27 July 2010)

Ammie Grundy (resigned 24 August 2010)

Note 16. Director and related party disclosures (continued)

Director Ian Johnstone was paid $9,527 (2009: $7,650) in rent payments for lease of property for the year ended 30 June 2010. Company Secretary David Blanchard was paid $12,000 (2009: $12,000) for professional accounting and secretarial duties for the year ended 30 June 2010. These payments were made under normal commercial terms and conditions.

No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2010**	**2009**
Richard Herbert	500	500
Jill Regan	2,000	2,000
Ian Johnstone	5,000	5,000
Jean Courtney	528	528
Lance Tomkins (resigned 15 February 2010)	6,000	6,000
David Blanchard	1,500	1,500
Ken Chapman	8,000	8,000
Neil Pankhurst	500	500
Ian Taylor	1,000	1,000
Marlene Wallace (resigned 27 July 2010)	-	-
Ammie Grundy (resigned 24 August 2010)	-	-

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

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 were 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 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 Street, Tongala VIC 3621.

	2010 $	2009 $

Note 21. Lease commitments

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

	2010 $	2009 $
Payable:		
No later than 1 year	9,380	20,107
Later than 1 year & not later than 5 years	8,430	4,079
Later than 5 years	-	-
Minimum lease payments	17,810	24,186
Less future finance charges	(1,904)	(1,541)
	15,906	**22,645**

Note 22. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

	2010 $	2009 $
Unfranked dividends - nil cents per share (2009: Unfranked 5 cents per share)	**-**	**17,068**

(b) Franking credit balance

	2010 $	2009 $
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	11,012
- Franking credits / (debits) that will arise from the payment of income tax payable / (refundable) as at the end of the financial year	-	(1,754)
	9,258	**9,258**

	2010 $	2009 $

Note 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:

	2010 $	2009 $
Profit / (loss) after income tax expense	**(35,464)**	**(16,612)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**341,350**	**341,350**

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.

(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:

	Carrying amount	
	2010 $	**2009 $**
Cash assets	178,782	142,289
Receivables	28,464	26,195
	207,246	**168,484**

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

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 (2009: 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.

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 2010					
Payables	20,623	(20,623)	(20,623)	–	–
Loans and borrowings	72,461	(96,108)	(18,104)	(34,602)	(43,402)
	93,084	**(116,731)**	**(38,727)**	**(34,602)**	**(43,402)**
30 June 2009					
Payables	21,388	(21,388)	(21,388)	–	–
Loans and borrowings	22,645	(24,186)	(20,107)	(4,079)	–
	44,033	**(45,574)**	**(41,495)**	**(4,079)**	**–**

Note 24. Financial risk management (continued)

(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	
	2010	**2009**
	$	**$**
Fixed rate instruments		
Financial assets	62,700	60,000
Financial liabilities	(72,461)	(22,645)
	(9,761)	**37,355**
Variable rate instruments		
Financial assets	116,082	82,289
Financial liabilities	-	-
	116,082	**82,289**

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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Note 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 2010 can be seen in the Statement of Comprehensive Income.

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

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 2010 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 2010.

David Blanchard
Director

Signed at Tongala, Victoria on 10 September 2010.

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Tongala & District Financial Services Limited, for the year ended 30 June 2010.

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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ABN 60 616 244 309

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 2010 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Philip Delahunty
Partner
Bendigo

Date: 10 September 2010

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 10 September 2010.

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

Shareholder	Ordinary shares	Number of ordinary 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.

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	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.


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

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(BMPAR10026) (08/10)

Bendigo Bank