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TIMBERLAND BANCORP INC
Form 11-K
March 30, 2007

FORM 11-K
U.S SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2006
and short period ended October 3, 2006 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-23333

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

Timberland Bank 401 (k) Profit Sharing Plan

B: Name of issuer of securities held pursuant to the plan and the
address of its principal executive Office:

Timberland Bank
624 Simpson Avenue
Hoquiam, Washington 98550

Financial Statements and Exhibits

(a) Financial Statements

The Timberland Bank 401(k) Profit Sharing Plan became effective as of
December 4, 1970, and was restated effective October 1, 2000. Filed as a
part of this report on Form 11-K are the audited financial statements of
the Plan as of October 3, 2006, September 30, 2006 and 2005 and for the
three day period ended October 3, 2006 and for the year ended September
30, 2006.

(b) Exhibit 23 Consent of Independent Auditors

Signatures

The Plan: Pursuant to the requirements of the Securities and
Exchange Act of 1934, the trustees (or other persons who administer
employees benefit plan) have duly caused this annual report to be signed
on its behalf by the undersigned hereunto duly authorized.

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Administrator, Timberland Bank 401 (k) Profit Sharing Plan

By: /s/ Dean J. Brydon

Dean J. Brydon (name)

Chief Financial Officer (title)

Timberland Bank (bank)

Date: March 29, 2007

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Timberland Bank 401(k) Profit Sharing Plan

Financial Report
October 3, 2006

Timberland
Bank
401(k)
Profit
Sharing
Plan

Financial
Report

October 3
2006

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Report of Independent Registered Public Accounting Firm

To the Audit Committee
Timberland Bank 401(k) Profit Sharing Plan
Hoquiam, Washington

We have audited the accompanying statements of net assets available for benefits of Timberland Bank 401(k) Profit Sharing Plan (the Plan) as of October 3, 2006 and September 30, 2006 and 2005, and the related statements of changes in net assets available for benefits for the period ended October 3, 2006 and for the year ended September 30, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of October 3, 2006 and September 30, 2006 and 2005, and the changes in its net assets available for benefits for the period ended October 3, 2006 and for the year ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules as of September 30, 2006, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been

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subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 6 to the financial statements, the Board of Directors of Timberland Bank, the Plan's sponsor, voted on September 26, 2006, to merge the Plan into the Timberland Bank Employee Stock Ownership Plan effective October 1, 2006. All plan assets were transferred to Timberland Bank Employee Stock Ownership and 401(k) Plan on October 3, 2006.

/s/McGladrey & Pullen, LLP

Tacoma, Washington
March 16, 2007

Financial Statements

Statements of Net Assets Available for Benefits

Timberland Bank 401(k) Profit Sharing Plan
October 3, 2006, September 30, 2006 and 2005

	October 3, 2006	September 30, 2006	September 30, 2005
Assets			
Investments (participant-directed) \$	- -	\$ 10,533,494	\$ 6,882,117
Employer contributions receivable	- -	- -	640,660
Employee receivable	- -	- -	305
Cash	- -	12,814	10,696
Accrued income	- -	2,927	1,667
Total assets	- -	10,549,235	7,535,445
Liabilities			
	- -	- -	- -
Net assets available for benefits \$	- -	\$ 10,549,235	\$ 7,535,445

See notes to financial statements.

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Statement of Changes in Net Assets Available for Benefits

Timberland Bank 401(k) Profit Sharing Plan
 Period Ended October 3, 2006 and
 Year Ended September 30, 2006

	October 3, 2006	September 30, 2006
Additions to Net Assets		
Investment income:		
Net appreciation (depreciation) in fair value of investments	(\$15,276)	\$ 2,292,733
Dividends	-	147,403
Total investment income (loss)	(15,276)	2,440,136
Contributions:		
Employer	-	558,417
Participant	-	426,691
Total contributions	-	985,108
Total additions	(15,276)	3,425,244
Deductions from Net Assets		
Benefits paid	-	380,146
Administrative expenses	2,661	31,308
Total deductions	2,661	411,454
Net increase (decrease) before transfer of assets to other qualified plan	(17,937)	3,013,790
Transfer to Timberland Bank Employee Stock Ownership and 401(k) Plan	10,531,298	-
Net increase (decrease)	(10,549,235)	3,013,790
Net Assets Available for Benefits		
Beginning of period	10,549,235	7,535,445
End of period	\$ -	\$ 10,549,235

See notes to financial statements.

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Notes to Financial Statements

Timberland Bank 401(k) Profit Sharing Plan
 October 3, 2006, September 30, 2006 and 2005

Note 1 - Plan Description

The following description of Timberland Bank 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

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General

The Plan is a defined contribution plan covering substantially all full-time employees of Timberland Bank (the Company) who have one year of service and are 21 years of age or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Company is the wholly owned subsidiary of Timberland Bancorp, Inc.

These financial statements include the year ended September 30, 2006 and the three day period ended October 3, 2006. The Plan elected to defer the filing of its financial statements with its Form 5500 for the short year ended October 3, 2006, as permitted by 29 CFR 2520.104-50, since the following Plan year ended September 30, 2007 is a short year of seven months or less. Accordingly, the Plan has included statements of net assets as of October 3, 2006 and September 30, 2006 and 2005, along with statements of changes in net assets for the period ended October 3, 2006 and year ended September 30, 2006, as required by DOL regulations when such election is made.

Contributions and Participant Investment Options

The Plan participants may contribute up to the maximum of pretax annual compensation as set by law. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company makes an annual safe harbor contribution of 3 percent of eligible compensation, with additional amounts contributed at the option of its board of directors. For the year ended September 30, 2006, the board of directors authorized a 5 percent profit sharing contribution of total eligible participant compensation in addition to the safe harbor contribution.

Participants must direct their salary deferral contributions and their allocated shares of the safe harbor contribution and the employer contribution, if any, into a variety of investment choices, as made available and determined by the Plan administrator, which are more fully described in the Plan's literature.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of: (a) the Company's contributions, (b) Plan earnings, and (c) the forfeitures of terminated participants' nonvested accounts, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(continued)

Notes to Financial Statements

Timberland Bank 401(k) Profit Sharing Plan
October 3, 2006, September 30, 2006 and 2005

Note 1 - Plan Description (concluded)

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Vesting

Participants are immediately vested in all deferral, rollover and safe harbor contributions, plus actual earnings thereon. Vesting in the Company's discretionary contribution portion of accounts, plus earnings thereon, is based on years of credited service. Participants are fully vested after six years of credited service. A participant's accrued benefit derived from employer contributions is also 100% nonforfeitable upon attaining the age of 62, or if the participant's separation from service is a result of death or disability.

Payment of Benefits

On termination of service, a participant with an accrued benefit of \$1,000 or less will receive a lump-sum amount equal to the value of the vested interest in their account. A terminated participant with accrued benefits over \$1,000, but less than or equal to \$5,000, who does not take a distribution after termination, may have their accrued benefit directly transferred to an Individual Retirement Account (IRA). The distribution date will be the earliest administratively feasible date for participants who attain normal retirement at the age of 62 or early retirement at the age of 55 with 10 years of service. Distributions for participants who do not meet these requirements will be made as soon as administratively feasible in the Plan year following separation of service. A Participant with an accrued benefit in excess of \$5,000 may leave the funds in the Plan or elect to receive a lump sum distribution equal to the value of the vested interest in his or her accounts.

Forfeited Accounts

Forfeited balances of terminated participant nonvested accounts are treated as discretionary contributions for the Plan year in which the forfeitures occur. Forfeitures allocated for the year ended September 30, 2006, totaled \$22,012. There are no unallocated forfeitures as of September 30, 2006 or October 3, 2006.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Notes to Financial Statements

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Timberland Bank 401(k) Profit Sharing Plan
October 3, 2006, September 30, 2006 and 2005

Note 2 - Summary of Accounting Policies (concluded)

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value common stock and mutual funds. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Purchases and sales of securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

Note 3 - Investments

The following presents, separately, identified investments that represent 5% or more of the Plan's net assets at September 30:

	2006	2005
Timberland Bancorp, Inc. Common Stock	\$6,148,292	\$3,810,338
Mutual Funds		
First American Prime Obligations Fund	1,244,773	632,186
First American Strategy Growth Allocation Fund	856,669	675,099
First American Small Cap Growth Fund	887,457	669,160
First American Strategy Aggressive Allocation Fund	789,896	586,755
First American Equity Index Fund	606,407	508,579
	\$10,533,494	\$6,882,117

During the period ended October 3, 2006 and the year ended September 30, 2006 the Plan's investments, including gains and losses on investments bought and sold, as well as held during each period, depreciated in value by \$15,276 and appreciated in value by \$2,292,733 respectively as follows:

	October 3, 2006	September 30, 2006
Mutual funds	(\$15,276)	\$ 318,829
Common stock	- -	1,973,904
 Net appreciation (depreciation) in fair value of investments	 (\$15,276)	 \$2,292,733

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October 3, 2006, September 30, 2006 and 2005

Note 4 - Tax Status/Non-Standardized Prototype Plan

Effective October 1, 1997, the Plan adopted a nonstandardized form of a prototype plan sponsored by Qualified Plan Consultants. The prototype plan received an opinion letter dated April 8, 2002, from the Internal Revenue Service, which stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended subsequent to receiving the opinion letter. However, the Plan administrator believes the Plan is designed and operated in compliance with applicable provisions of the Internal Revenue Code.

Note 5 - Administration of Plan Assets

Certain Plan investments are shares of mutual funds managed by US Bank. US Bank is the trustee, as defined by the Plan; therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management services totaled \$31,308 for the year ended September 30, 2006 and \$2,661 for the period ended October 3, 2006.

Certain administrative functions of the Plan are performed by officers or employees of the Company. No such officers or employees receive compensation from the Plan. Other administrative and management fees of the Plan are paid directly by the Company.

Note 6 - Plan Merger

Effective October 1, 2006, Timberland Bank 401(k) and Profit Sharing Plan and Timberland Bank Employee Stock Ownership Plan were merged with the surviving plan being the Timberland Bank Employee Stock Ownership Plan. The surviving plan's name was changed to the Timberland Bank Employee Stock Ownership and 401(k) Profit Sharing Plan (KSOP). All plan assets were transferred to Timberland Bank Employee Stock Ownership and 401(k) Plan on October 3, 2006. The KSOP is administered by Pentegra Retirement Services, and the trustee for the plan is HomeFederal Bank.

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Supplemental

Schedules

Schedule of Assets (Held at End of Year)

Timberland Bank 401(k) Profit Sharing Plan
September 30, 2006

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EIN: 91-0260220
 Plan Number: 001

(a) and (b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value (pv or mv)	(d) Cost	(e) Current Value
** Timberland Bancorp, Inc.	Common Stock, \$0.01 par value	*	\$ 6,148,292
** US Bank	First American Prime Obligations Fund	*	1,244,773
** US Bank	First American Small Cap Growth Fund	*	887,457
** US Bank	First American Strategy Growth Allocation Fund	*	856,669
** US Bank	First American Strategy Aggressive Allocation Fund	*	789,896
** US Bank	First American Equity Index Fund	*	606,407
			\$10,533,494

* Historical cost not required for participant-directed accounts.

** Represents a party-in-interest.

Schedule of Delinquent Participant Contributions

 Timberland Bank 401(k) Profit Sharing Plan
 September 30, 2006

EIN: 91-0260220
 Plan Number: 001

Participant Contributions Transferred Late to Plan	Total that Constitutes Non-exempt Prohibited Transactions
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2005 Form 5500 Schedule H, Line 4A

\$ - - \$ - -

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2004 Form 5500 Schedule H, Line 4A

\$ 33,715

\$ 33,715

Certain participant contributions were not remitted timely during the year ended September 30, 2005. Form 5330 will be filed and applicable excise taxes will be paid by the Plan Sponsor in 2007. Lost earnings will also be remitted to KSOP Plan in 2007.

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[McGladrey & Pullen, LLP Letterhead]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-116163, filed June 4, 2004) of Timberland Bancorp, Inc. of our report dated March 16, 2007, appearing in this Annual Report on Form 11-K of Timberland Bank 401(k) Profit Sharing Plan for the period ended October 3, 2006 and for the year ended September 30, 2006.

/s/McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Tacoma, Washington
March 30, 2007