annual report 2010

Tumbarumba Financial Services Limited

ABN 82 121 010 839

Tumbarumba **Community Bank®** Branch

Contents

Chairman's report	**2**
Manager's report	**3**
Directors' report	**4-5**
Auditor's independence declaration	**6**
Financial statements	**7-10**
Notes to the financial statements	**11-21**
Directors' declaration	**22**
Independent audit report	**23-24**

Chairman's report

For year ending 30 June 2010

My first Chairman's report as at 30 June 2007 was very optimistic, however the 2008 and 2009 reports have reflected some difficult early years.

This year however has seen returned enthusiasm. The first three quarters of this year saw our book grow by $2 million which was a slow start, however following the resignation of our inaugural Manager and the successful negotiation and secondment of Kate Powell, a highly experienced Manager from the Wagga Wagga branch who commenced at the beginning of April, our business grew by $5 million in the final quarter to finish the year with footings of $28 million.

Business has been brisk since the end of June, and with the opening of our Batlow agency in the second half of September, the future is exciting.

Kate's wealth of experience has also benefited our three other members of staff, Belinda, Emma and Sue, who continue to train and build their skill levels providing the best possible level of customer service.

I genuinely thank all of our staff for their dedication and commitment above and beyond the normal call of duty.

Thanks also to fellow Directors who give freely of their time and skill to develop the business and therefore support and grow the Tumbarumba community.

Col Nagle
Chairman

Manager’s report

For year ending 30 June 2010

While I have only been the Branch Manager for final quarter of this financial year’ I am pleased to say that there is still much to report.

The **Community Bank®** branch ended the financial year with total footings of $28 million. While this is slightly short of our $10 million budget, it is a significant increase on the 2008/2009 financial year. 75% of this growth has occurred in the last three months of the year and at the time of writing this report it is exciting to see that the growth has continued to be strong into the new year and it is hoped that 2010/2011 financial year might be the one to see us start to turn a profit.

Our increase in business can no doubt be attributed to the strong and competent staffing team we have in place. Belinda, Emma and Sue have completed several training courses this year and are now all qualified to take care of all our customers’ needs such as insurance, Rural Bank, investments and of course, lending.

I would like to thank the girls for their hard work this year and their help in growing our branch. Their dedication and enthusiasm in ensuring they are meeting customer’s needs is remarkable.

After working with Bendigo and Adelaide Bank Ltd for approx 10 years, Tumbarumba **Community Bank®** Branch has been my first experience with a **Community Bank®** branch. I would like to thank the Board for their patience and support while I have settled into the new environment. **Community Bank®** branches do not succeed without an active and engaged Board behind them and the hours and effort these people put into maintaining and growing this wonderful local asset is tireless and should be applauded.

I would also like to thank them for the trust and confidence they have in me. This support helps me get on with my job of growing the branch the best way I know how.

I would like to mention that a recent survey of our shareholders shows that less than 60% of Tumbarumba Financial Services shareholders actually bank with the **Community Bank®** branch.

I know the road has been long and everyone is keen to see a dividend returned, none more so than the Directors, however this is only possible with significant community support and surely our shareholders, as the owners of this business, should be leading the way.

We are now approximately $8 million away from break even point and beginning to make profit. Based on recent growth this can be achieved this financial year if we can continue the momentum.

So please: If you don’t already bank with us; if your family and friends are not banking with us; if you are a member of a club or committee that does not bank with us; I urge you to come in and see what we have to offer. I am confident you will be pleasantly surprised.

For those shareholders who are banking with the **Community Bank®** branch, I thank you for your support and patience. Keep spreading the word and campaigning, there is light at the end of the tunnel.

Kate Powell

Branch Manager

Directors' report

For the financial year ended 30 June 2010

The Directors present their report together with the accounts of Tumbarumba Financial Services Limited for the year ended 30 June 2010.

Directors

The names of Directors who held office during or since the end of the year are:

Colin James Nagle

Anthony Owen A'Beckett

Malcolm Paul Barclay

Julie Maree Giddings

Malcolm Antony Marshall

Roy Edwards

Lachlan Ian MacKenzie

Bruce Bertram Alleyn

Martin Joseph Sullivan

Daniel Murray Martin

Dannye Martin Brennan

Principal activities

The principle activities of the Company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Result

The net loss of the Company for the financial year after provision for income tax was ($167,371) (2009 loss of $198,200).

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting 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.

Directors interests and benefits

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Wagga Wagga this 30 September 2010.

Signed in accordance with a resolution of the Directors:

Col Nagle

Director

Auditor’s independence declaration

Auditors independence declaration

As lead Auditor for the audit of Tumbarumba Financial Services Limited for the year ended 30 June 2010,
I declare that to the best of my knowledge and belief, there have been:

(a) No contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

John L Bush & Campbell
Chartered Accountants

Peter King
Partner

Wagga Wagga

30 September 2010

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	2	270,233	185,915
Employee expenses		(244,281)	(178,435)
Advertising and promotion expense		(8,749)	(4,132)
Occupancy and associated costs		(43,669)	(54,377)
Depreciation and amortisation		(18,490)	(22,842)
Systems costs		(31,626)	(37,245)
Administration expenses		(90,789)	(87,084)
Net Profit from ordinary activities before income tax expense		**(167,371)**	**(198,200)**
Income tax expense relating to ordinary activities	3	-	-
Net profit from ordinary activities after related income tax expense		(167,371)	(198,200)
Total comprehensive income for the year		**(167,371)**	**(198,200)**
Earnings per share		(26.71 cents)	(31.62 cents)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash	5	18,448	5,028
Receivables	6	30,851	31,709
Total current assets		**49,299**	**36,737**
Non-current assets			
Property, plant & equipment	9	175,861	191,777
Intangible assets	10	3,500	5,500
Deferred tax asset	8	63,870	63,870
Total non-current assets		**243,231**	**261,147**
Total assets		**292,530**	**297,884**
Current liabilities			
Payables	11	29,886	20,786
Provisions	13	8,556	3,765
Interest bearing liabilities	7	390,488	240,062
Loan - council	12	-	2,300
Total current liabilities		**428,930**	**266,913**
Total liabilities		**428,930**	**266,913**
Net assets		**(136,400)**	**30,971**
Equity			
Issued capital	14	593,875	593,875
Retained profits	15	(730,275)	(562,904)
Total equity		**(136,400)**	**30,971**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Total equity at the beginning of the period		30,971	229,171
Net loss for the period		(167,371)	(198,200)
Total equity at the end of the period		**(136,400)**	**30,971**

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		298,114	171,228
Cash payments in the course of operations		(432,246)	(370,835)
Net cash used by operating activities	**16(ii)**	**(134,132)**	**(199,607)**
Cash flows from investing activities			
Payments for property, plant & equipment		(574)	-
Net cash used in investing activities		**(574)**	**-**
Cash flows from financing activities			
Repayment of loan		(2,300)	(2,400)
Net cash used in financing activities		**(2,300)**	**(2,400)**
Net increase / (decrease) in cash held		**(137,006)**	**(202,007)**
Cash at the beginning of the financial year		(235,034)	(33,027)
Cash at the end of the financial year	**16(i)**	**(372,040)**	**(235,034)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

(b) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

(c) Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(d) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

(e) 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 for 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 statement of cash flows on a gross basis.

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

Note 1. Statement of significant accounting policies (continued)

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Note 1. Statement of significant accounting policies (continued)

(g) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

(h) Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

(i) Cash

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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Comparative figures

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

(k) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Note 1. Statement of significant accounting policies (continued)

(l) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(m) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

(n) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

(o) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

(p) 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 of 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.

(q) Contributed equity

Ordinary shares are 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.

Note 1. Statement of significant accounting policies (continued)

(r) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

	2010 $	**2009 $**

Note 2. Revenue

Operating activities		
Services commissions	270,178	176,315
Other	-	9,597
	270,178	**185,912**
Non-operating activities		
Interest	55	3
	270,233	**185,915**

Note 3. Income tax expense

The prima facie tax on loss from ordinary activities before income tax is reconciled as follows:		
Operating loss	(167,371)	(198,200)
Prima facie tax on loss from ordinary activities at 30%	(50,211)	(59,460)
Add tax effect of:		
timing difference expense	233	233
blackhole expense	(1,966)	(1,966)
Tax losses not brought to account	51,944	61,202
Income tax losses		
Future income tax benefit arising from tax losses are not recognised at reporting date as a realisation of the benefit is not regarded as virtually certain	**51,944**	**61,202**

	2010 $	2009 $

Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

(a) Expenses		
Amortisation of intangibles	2,000	2,000
Depreciation of non-current assets	16,490	20,842
Auditors renumeration	6,400	6,200

Note 5. Cash assets

Cash at bank	18,448	5,028
	18,448	**5,028**

Note 6. Receivables

Trade debtors	30,851	31,709
	30,851	**31,709**

Note 7. Interest bearing liabilities

Current		
Bank overdraft	390,488	240,062
	390,488	**240,062**

Note 8. Defered tax asset

Future tax benefit	**63,870**	**63,870**

Note 9. Property, plant and equipment

Plant and equipment - at cost	55,042	54,468
Less: accumulated depreciation	(30,548)	(26,283)
	24,494	**28,185**

	2010 $	2009 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements - at cost	190,599	190,599
Less: accumulated depreciation	(39,232)	(27,007)
	151,367	**163,592**
Total written down amount	**175,861**	**191,777**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the year	28,185	36,802
Additions	574	-
Depreciation	(4,265)	(8,617)
Carrying amount at the end of the year	**24,494**	**28,185**
Leasehold improvements		
Balance at the beginning of the year	163,592	175,817
Additions	-	-
Depreciation	(12,225)	(12,225)
Carrying amount at the end of the year	**151,367**	**163,592**

Note 10. Intangible assets

Franchise fee - at cost	10,000	10,000
Less: accumulated depreciation	(6,500)	(4,500)
Total written down amount	**3,500**	**5,500**

Note 11. Trade and other payables

Trade creditors	24,564	14,194
Other creditors & accruals	5,322	6,592
	29,886	**20,786**

Notes to the financial statements continued

	2010 $	2009 $

Note 12. Borrowings

Loan from Tumbarumba Shire Council	**-**	**2,300**

Note 13. Provisions

Employee provisions	**8,556**	**3,765**

Note 14. Contributed equity

626,650 Ordinary shares paid at $1 (2007: 626,650)	626,650	626,650
Less: equity raising expenses	(32,775)	(32,775)
	593,875	**593,875**

Note 15. Accumulated losses

Opening balance	(562,904)	(364,704)
Net loss from activities after income tax	(167,371)	(198,200)
	(730,275)	**(562,904)**

Note 16. Cash flow information

(i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial performance as follows:

Cash at bank	**(372,040)**	**(235,034)**

(ii). Reconciliation of operating profit to net cash used in operating activities:

Profit / (loss) for year:	(167,371)	(198,200)
Non cash flows recored in ordinary activities		
Amortisation	2,000	2,000
Depreciation	16,490	20,842

	2010 $	2009 $
Note 16. Cash flow information (continued)		
Net cash provided / (used) in operating activities before changes in assets and liabilities during the year		
(Increase) / decrease in receivables	858	(31,709)
(Increase) / decrease in other assets	-	3,398
Increase / (decrease) in payables	9,100	20,786
Increase / (decrease) in provisions	4,791	3,765
Net cash used in operating activities	**(134,132)**	**(179,118)**

Note 17. Earnings per share

	2010 $	2009 $
(a) Loss attributable to ordinary equity holders	**(167,371)**	**(198,200)**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	626,650	626,650

Note 18. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Ltd.

Note 18. Financial risk management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash assets	18,448	5,028	-	-	-	-	-	-	-		0.05	0.04
Receivables			-	-	-	-	-	-	30,851	31,709	N/A	N/A
Financial Liabilities												
Payables			-	-	-	-	-	-	29,886	20,786	N/A	N/A
Borrowings	(390,488)	(240,062)	-	-	-	-	-	-	-	2,300	Nil	Nil

Note 19. Related party transactions

There were no related party transactions between the Company and Directors during the year.

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

Colin James Nagle
Lachlan Ian McKenzie
Anthony Owen A'Beckett
Bruce Bertram Alleyn
Malcolm Paul Barclay
Roy Edwards
Julie Maree Giddings
Daniel Murray Martin
Malcolm Anthony Marshall
Martin Joseph Sullivan
Dannye Martin Brennan

Notes to the financial statements continued

Note 20. Company details

The registered office of the Company is:

Tumbarumba Financial Services Limited
27 The Parade,
Tumbarumba NSW 2653

Note 21. Events occurring after the balance sheet date

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

Note 22. Contingent liabilities

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

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Tumbarumba and surrounding districts of New South Wales.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001:

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and economic entity;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Col Nagle
Director

Dated this 30 September 2010.

Independent audit report

Independent Auditors' Report to the Members of Tumbarumba Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Tumbarumba Financial Services Limited, which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Tumbarumba Financial Services Limited would be in the same terms if provided to the Directors as at the date of this Auditor's report.

Independent audit report continued

Auditor's opinion

In our opinion,

a. the financial report of Tumbarumba Financial Services Limited is 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

JOHN L BUSH & CAMPBELL
Chartered Accountants

Peter King
Partner

Wagga Wagga

30 September 2010

Tumbarumba **Community Bank**® Branch
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(BMPAR10016) (07/10)

Bendigo Bank