Tumbarumba **Community Bank®** Branch

annual report 2012

Tumbarumba Financial Services Limited

ABN 82 121 010 839

Contents

Chairman's report

For year ending 30 June 2012

On behalf of the Board of Directors, I am pleased to advise shareholders of the progress of Tumbarumba **Community Bank®** Branch for the 2011/12 financial year.

The business has experienced consistent growth over the last 12 months and I am delighted to announce that our **Community Bank®** branch has now returned a profit.

It has been a difficult five years but the branch is now firmly established.

As at June 2012 our total business under management was $58.820 million which represents an increase of over $14 million for the financial year.

The aim of Tumbarumba **Community Bank®** Branch has always been focused on our three goals:

- To provide premium banking services to Tumbarumba Shire
- To provide community sponsorships and grants generated from our Marketing Development Fund
- To give back to our shareholders by means of dividend payments.

Our priority is to significantly reduce the debt which we incurred while the branch was being established. We look forward to the Tumbarumba **Community Bank®** Branch being able to pay a dividend to our shareholders within the next two years.

I would particularly like to thank our Manager Sam Machell and her hard working staff for their continued dedication and enthusiasm in growing the bank and providing excellent service.

Colin Nagle
Chairman

Manager's report

For year ending 30 June 2012

The end of the 2011/12 financial year marked 12 months since I joined the team at Tumbarumba **Community Bank®** Branch and what a wonderful year it has been.

We were budgeting for growth of $10 million and have exceeded that target by almost 50%.

Acknowledgment needs to be given to the local community for supporting Tumbarumba **Community Bank®** Branch as without their banking business this result would not have been possible.

The Better Banking Reform was introduced in July 2012 giving consumers the ability to change regular debits and credits from one financial institution to another. This government initiative allows customers to bring their banking over to Tumbarumba **Community Bank®** Branch with minimal fuss.

Thank you to our branch staff, our partners at Bendigo and Adelaide Bank and our Board of Directors who all contribute to the success of our branch. Thank you to our Agribusiness Managers Trent Bullock and John Walton for their contribution and the great service they provide to our rural clients. We believe the agribusiness sector has great potential and we will continue to develop this business over the next year.

I look forward to the year ahead and the opportunity to grow the business further.

Sam Machell
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

The Directors present their report together with the accounts of Tumbarumba Financial Services Limited for the year ended 30 June 2012.

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
Jon Burgun
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.

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

Result

The net profit of the company for the financial year after provision for income tax was ($52,207) (2011 loss of $115,478).

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 13 September 2012. Signed in accordance with a resolution of the Directors:

Anthony a'Beckett
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 2012, 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
13 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenues from ordinary activities	**2**	**559,732**	**407,935**
Employee expenses		(259,609)	(302,123)
Advertising and promotion expense		(33,868)	(26,607)
Borrowing costs		(29,406)	(29,512)
Occupancy and associated costs		(33,070)	(32,263)
Depreciation and amortisation		(11,369)	(38,537)
Systems costs		(36,627)	(35,074)
Administration expenses		(83,463)	(59,297)
Net Profit from ordinary activities before income tax expense		**72,320**	**(115,478)**
Income tax expense relating to ordinary activities	**3**	**20,113**	**-**
Net profit from ordinary activities after related income tax expense		**52,207**	**(115,478)**
Total comprehensive income for the year		**52,207**	**(115,478)**
Earnings per share		**8.33 cents**	**(18.42 cents)**

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the accounts.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash	5	249	5,738
Receivables	6	59,642	50,044
Other current assets	7	3,135	3,144
Total current assets		**63,026**	**58,926**
Non-current assets			
Property, plant & equipment	10	132,077	137,324
Intangible assets	11	64,700	1,500
Deferred tax asset	9	43,757	63,870
Total non-current assets		**240,534**	**202,694**
Total assets		**303,560**	**261,620**
Current liabilities			
Payables	12	32,978	39,903
Provisions	13	13,518	12,240
Interest bearing liabilities	8	456,735	461,355
Total current liabilities		**503,231**	**513,498**
Total liabilities		**503,231**	**513,498**
Net assets		**(199,671)**	**(251,878)**
Equity			
Issued capital	14	593,875	593,875
Retained profits	15	(793,546)	(845,753)
Total equity		**(199,671)**	**(251,878)**

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the accounts.

Statement of changes in equity
as at 30 June 2012

	Note	2012 $	2011 $
Total equity at the beginning of the period		(251,878)	(136,400)
Net loss for the period		52,207	(115,478)
Total equity at the end of the period		**(199,671)**	**(251,878)**

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the accounts.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		605,122	427,461
Cash payments in the course of operations		(536,455)	(511,038)
Net cash used by operating activities	**16(ii)**	**68,667**	**(83,577)**
Cash flows from investing activities			
Payments for property, plant & equipment		-	-
Net cash used in investing activities		-	-
		-	**-**
Cash flows from financing activities			
Repayment of loan		-	-
Net cash used in financing activities		**-**	**-**
Net increase / (decrease) in cash held		**68,667**	**(83,577)**
Cash at the beginning of the financial year		(455,617)	(372,040)
Cash at the end of the financial year	**16(i)**	**(386,950)**	**(455,617)**

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the accounts.

Notes to the financial statements

For year ended 30 June 2012

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 statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

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

(f) Income tax

<u>Current tax</u>

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).

Note 1. Statement of significant accounting policies (continued)

(f) Income tax (continued)

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.

(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.

Note 1. Statement of significant accounting policies (continued)

(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

(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.

Note 1. Statement of significant accounting policies (continued)

(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.

(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.

	2012 $	2011 $

Note 2. Revenue

Operating activities		
Services Commissions	559,701	407,794
	559,701	**407,794**
Non-operating activities		
Interest	32	141
	559,733	**407,935**

Note 3. Income tax expense

The prima facie tax or loss from ordinary activities before income tax is reconciled as follows:		
Operating profit /(loss)	72,320	(115,478)
Prima facie tax on loss from ordinary activities at 30%	21,696	(34,643)
Add tax effect of:		
timing difference expense	383	1,855
blackhole expense	(1,966)	(1,966)

	2012 $	2011 $
Note 3. Income tax expense (continued)		
Income tax expense	20,113	
Tax losses not brought to account		34,754
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	**-**	**34,754**

Note 4. Profit from ordinary activities

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

	2012 $	2011 $
(a) Expenses		
Amortisation of intangibles	6,122	2,000
Depreciation of non-current assets	5,247	38,537
Auditors renumeration	9,000	8,250

Note 5. Cash assets

	2012 $	2011 $
Cash at bank	249	5,738
	249	**5,738**

Note 6. Receivables

	2012 $	2011 $
Trade debtors	59,324	43,842
Sundry debtor	318	6,202
	59,642	**50,044**

Note 7. Other current assets

	2012 $	2011 $
Prepayments	3,135	3,144
	3,135	**3,144**

Note 8. Interest bearing liabilities

	2012 $	2011 $
Current		
Bank overdraft	387,199	461,355
Loan - Bendigo and Adelaide Bank	69,536	
	456,735	**461,355**

	2012 $	2011 $
Note 9. Defered tax asset		
Future tax benefit	**43,757**	**63,870**

Note 10. Property, plant and equipment

	2012 $	2011 $
Plant and equipment - at cost	55,042	55,042
Less: accumulated depreciation	(38,769)	(37,824)
	16,273	**17,218**
Leasehold improvements - at cost	190,599	190,599
Less: accumulated depreciation	(74,795)	(70,493)
	115,804	**120,106**
Total written down amount	**132,077**	**137,324**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the year	17,218	24,494
Additions	-	-
Depreciation	(945)	(7,276)
Carrying amount at the end of the year	**16,273**	**17,218**
Leasehold improvements		
Balance at the beginning of the year	120,106	151,367
Additions	-	-
Disposals		
Depreciation	(4,302)	(31,261)
Carrying amount at the end of the year	**115,804**	**120,106**

Note 11. Intangible assets

	2012 $	2011 $
Franchise fee - at cost	69,322	10,000
Less: accumulated depreciation	(4,622)	(8,500)
Total written down amount	**64,700**	**1,500**

Note 12. Trade and other payables

	2012 $	2011 $
Trade creditors	16,186	21,846
Other creditors & accruals	16,792	18,057
	32,978	**39,903**

	2012 $	2011 $
Note 13. Provisions		
Employee provisions	**13,518**	**12,240**

Note 14. Contributed equity

	2012 $	2011 $
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

	2012 $	2011 $
Opening balance	(845,753)	(730,275)
Net loss from activities after income tax	52,207	(115,478)
	(793,546)	**(845,753)**

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:

	2012 $	2011 $
Cash at bank	**(386,950)**	**(455,617)**
(ii). Reconciliation of operating profit to net cash used in operating activities:		
Profit / (loss) for year:	52,207	(115,478)
Non cash flows recored in ordinary activities		
Amortisation	6,122	2,000
Depreciation	5,247	38,537
Net cash provided / (used) in operating activities before changes in assets and liabilities during the year		
(Increase) / decrease in receivables	(9,598)	(50,044)
(Increase) / decrease in other current assets	9	(3,144)
(Increase)/ decrease in future tax benefit	20,113	
Increase / (decrease) in payables	(6,925)	39,903
Increase / (decrease) in provisions	1,492	12,240
Net cash used in operating activities	**68,667**	**(139,856)**

	2012 $	2011 $

Note 17. Earnings per share

(a Profit / (loss) attributable to ordinary equity holders	**52,207**	**(115,478)**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	626,650	626,650

Note 18. Financial instruments

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 Bank Limited.

(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 Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited 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 Bank Limited mitigates this risk significantly.

Note 18. Financial instruments (continued)

Financial instrument	Floating		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash assets	249	5,738	-	-	-	-	-	-	-		0.06	0.05
Receivables			-	-	-	-	-	-	50,044	50,044	N/A	N/A
Financial Liabilities												
Payables			-	-	-	-	-	-	39,903	29,886	N/A	N/A
Borrowings	(456,735)	(461,355)	–	–	–	–	–	–	–	–	N/A	N/A

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
Jon Burgun
Julie Maree Giddings
Daniel Murray Martin
Malcolm Anthony Marshall
Martin Joseph Sullivan
Dannye Martin Brennan

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 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. 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 2011 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.

Anthony a'Beckett
Director

Dated this 13 September 2012

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 2012 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.

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 2012 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
13 September 2012

Tumbarumba **Community Bank®** Branch
27 The Parade, Tumbarumba NSW 2653
Phone: (02) 6948 3399

Franchisee: Tumbarumba Financial Services Limited
27 The Parade, Tumbarumba NSW 2653
Phone: (02) 6948 3399
ABN: 82 121 010 839
www.bendigobank.com.au/tumbarumba

Bendigo Bank

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