Tumbarumba Financial Services Limited
ABN 82 121 010 839

2008 annualreport

Contents

Chairman's report

For year ending 30 June 2008

The year ending 30 June 2008 marks the first full 12 months of operations. The most optimistic forecast modelled before we opened was for $21 million of business on our books at this date.

Our staff have worked hard and achieved what is probably a more realistic figure of just over $17 million, considering the economic conditions and continuing drought that effects us all.

The original modelling also had a break even point at $18.5million. Our experience to date and the experience of similar branches is that this figure will now need to be more than $25 million.

I remain positive however that our staff are working hard to establish sound relationships and that we will see the business grow to near break even point by the next annual meeting.

Our level of business has entitled us to receive $1250 per month from Bendigo Bank towards our Community Development Fund. Most of this money is distributed each month to the local community. We have had positive feedback from a number of organisations which have already been recipients.

I would like to thank the staff and fellow Directors for their continuing efforts and look forward to the challenge of growing our business.

Colin Nagle
Chairman

Manager's report

For year ending 30 June 2008

It is with a great deal of satisfaction and pleasure that I present the Manager's report for the financial year ending 30 June 2008. It was the first full year of business for the Tumbarumba **Community Bank®** Branch which serves the community as the only full service bank.

The year in review

The year has been one in which there have been many changes, not the least of which was the merger of Bendigo Bank with Adelaide Bank. This has not had any material effect on our local representation nor will there be any marked effect on the **Community Bank®** model which is unique in the financial marketplace.

Notwithstanding the pressures on financial markets, there has been a steady rate of enquiry for our lending product over the year, buoyed by our local real estate prices that are generally still within an "affordable" bracket when compared with what is perceived to be the above average disposable income of the local workforce.

Our branch has been the market leader amongst the financial institutions represented in our town when it has come to deposit interest rates - especially Term Deposits. It is this market that we have vigorously pursued in line with Bendigo's market strategy - with considerable success.

During the year the Board made the decision to adopt a major focus project which is to facilitate the provision of Community Aged Care Accommodation in Tumbarumba. There has been quiet progress going on since the project was launched. During the year, dialogue was established between our branch, Bendigo Bank Community Enterprise Foundation, the Tumbarumba Shire Council, the Tumbarumba Hospital executive, Greater Southern Area Health and a major, respected facilitator.

The announcement of this major undertaking has been a catalyst to increases in our business levels and has in many ways galvanised the community in how it thinks about the **Community Bank®** branch.

The business

The challenge for all our staff has been the steep learning curve that we have had to meet to satisfy the demands that have been placed upon us both internally and externally to satisfy all stakeholders. I believe that we have risen to the occasion and are starting to see the fruits of our labour.

The important number in our overall business is the total value of our combined deposits and lending book, known as footings.. We started the financial year with footings of $5.0 million and ended the year with footings of $17.2 million. This was a commendable result in light of the market conditions that prevailed in the latter half of the year.

Of major importance - in that it triggers unfettered contributions from Bendigo Bank - is each business plateau. We reached and consolidated over a $10 million plateau in the latter part of 2007, which saw $650 per month being injected into our Market Development Fund. Surpassing the $15 million plateau towards the end of the financial year saw an amount of $1250 contributed per month. It is this money which allows your **Community Bank®** branch to make contributions to various community projects, and fulfil the primary function for which it was established.

The matter causing most concern was the need to apply to Bendigo Bank for an overdraft to enable the Company to continue to operate whilst striving for the “break even” point. There were many factors which contributed to this action, not the least of which was the decision taken to go ahead and open the branch despite not having reached an optimum share capitalisation. This combined with increases in many areas of expense over and above those which were projected in the feasibility study – particularly in IT costs - and over which we have no control had a heavy impact on the liquidity position as the year unfolded.

I hasten to point out that this action is not an abnormal occurrence with new **Community Bank®** branches. Stakeholders can be assured however all controllable costs were kept under strict control and expenditure kept to an absolute minimum.

The staff

The latter half of the year saw the departure of Stacey Wooden to other local employment and we wish Stacey well in her future endeavours.

During the major portion of the last half of the year, effective operations were carried out with a minimum staffing of three and at this point I would like to acknowledge the dedication of Deb Metcalf and Helen Kellam, our remaining original staff members who have provided to our customers a level friendly service that is unsurpassed in Tumbarumba.

Looking to the future

There can be little doubt that as the general reaction to the Reserve Bank’s action, there will be a slowing down of general business growth, and this has indeed been the case as reported to me by various sources from within our region. However, in contrast to this, and for reasons peculiar to our branch, there has been a steady rise in lending growth in the new financial year. There has also been good growth in deposits.

In conjunction with our Regional Manager Tim Butt, we have set a challenging target for the coming financial year of overall growth of $10 million in footings. This target takes into account that margins will be “squeezed” to maintain a reasonable profit margin, and hence the actual growth could be significantly effected by market forces beyond our control.

This factor, along with a projected increase of some 3% in expenses over the year will result in net trading losses for at least another 12 months – and an inevitable delay in achieving a net profit position which on current evidence will now be well into 2010 and possibly beyond.

Against this position - shareholders can draw comfort in two things:-

1. The month by month net loss position is diminishing, and
2. Unlike any, and generally every other share portfolio on the market today, your $1 share in Tumbarumba Financial Services Limited will always be valued at a $1, and while there may not be a dividend payment on the horizon at that moment, – your community will start to see benefits flowing back to it in a very real way with the start of the new financial year.

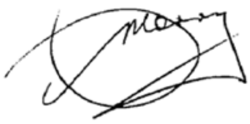
Manager's report continued

Conclusion

Our staff are committed to providing the best banking service available in our town, along with a full range of financial products, and we are fortunate to have a sound local knowledge of our community. But we need and look forward to your support to recommend family and friends to us as a preferred banker.

And if you, as a shareholder, have not placed your business with your local bank, now is the time!

I look forward to a successful year for your bank!



Jeff Morris
Branch Manager

Directors' report

For year ending 30 June 2008

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

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year:

Colin James Nagle
Chairman
Age: 56
Apiarist
Interests in shares: 2,000

Lachlan Ian MacKenzie
Treasurer
Age: 62
Primary Producer
Interests in shares: 5,000

Anthony Owen A'Beckett
Secretary
Age: 61
Farmer
Interests in shares: 30,000

Bruce Bertram Alleyn
Director
Age: 62
Stock & Station and Real Estate Agent
Interests in shares: 14,000

Malcolm Paul Barclay
Director
Age: 63
Viticulturist
Interests in shares: 2,000

Lois Elizabeth Elliott
Director
Age: 58
Community Liaison Officer
Interests in shares: 5,000

Julie Maree Giddings
Director
Age: 46
Stock & Station and Real Estate Agent
Interests in shares: 2,000

Albert George Martin
Director
Age: 67
Farmer
Interests in shares: 45,000

Malcolm Antony Marshall
Director
Age: 54
Teacher & Caravan Park Operator
Interests in shares: 4,000

Graham Bradfield Smith
Director
Age: 66
Viticulturist
Interests in shares: 3,000

Directors' report continued

Dannye Martin Brennan
Director (Appointed 30 December 2007)
Age: 53
Earthmoving Contractor
Interests in shares: 5,000

Christopher Mark Brice
Director (Resigned 29 November 2007)
Age: 38
Electrical Contractor
Interests in shares: 3,000

Andrew Kevin Jones
Director (Resigned 29 November 2007)
Age: 47
Accountant
Interests in shares: 3,000

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

Company Secretary

The Company Secretary is Anthony Owen A'Beckett, he was appointed Secretary upon the resignation of Andrew Kevin Jones.

Principal activities

The principal 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 Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008 $	Year ended 30 June 2007 $
(213,852)	(150,852)

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current 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 or the financial report.

Directors' report continued

Matters subsequent to the end of the financial year

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 facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

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 except as disclosed in note 17 to the financial statements. 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.

Remuneration report

No Director of the Company receives remuneration for services as a Company Director or Committee member.

There are no Executives within the Company whose remuneration is required to be disclosed.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
Colin James Nagle	11	8
Lachlan Ian MacKenzie	11	11
Anthony Owen A'Beckett	11	10
Bruce Bertram Alleyn	11	8
Malcolm Paul Barclay	11	8
Lois Elizabeth Elliot	11	11
Julie Maree Giddings	11	7
Albert George Martin	11	6
Malcolm Antony Marshall	11	10
Graham Bradfield Smith	11	8
Dannye Martin Brennan (Appointed 30 December 2007)	6	2
Christopher Mark Brice (Resigned 29 November 2007)	5	2
Andrew Kevin Jones (Resigned 29 November 2007)	5	3

Non Audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the Board of Directors at Tumbarumba, New South Wales on 12 September 2008.

Colin James Nagle	**Lachlan Ian MacKenzie**
Chairman	**Treasurer**

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Tumbarumba Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 12th day of September 2008

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Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	3	132,759	6,460
Salaries and employee benefits expense		(183,766)	(175,607)
Advertising and promotion expenses		(4,786)	(472)
Occupancy and associated costs		(34,881)	(2,913)
Systems costs		(41,392)	(8,433)
Depreciation and amortisation expense	4	(22,728)	(12,220)
General administration expenses		(59,058)	(21,537)
Loss before income tax credit		**(213,852)**	**(214,722)**
Income tax credit	5	-	63,870
Loss for the period		**(213,852)**	**(150,852)**
Loss attributable to members of the entity		**(213,852)**	**(150,852)**
Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	19	(34.27)	(24.66)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Assets			
Current assets			
Cash assets	6	-	145,547
Trade and other receivables	7	4,854	7,029
Total current assets		**4,854**	**152,576**
Non-current assets			
Property, plant and equipment	8	212,619	232,257
Intangible assets	9	7,500	9,500
Deferred tax assets	10	63,870	63,870
Total non-current assets		**283,989**	**305,627**
Total assets		**288,843**	**458,203**
Liabilities			
Current liabilities			
Trade and other payables	11	12,724	19,482
Borrowings	6	33,027	-
Loan - council	12	4,700	7,000
Provisions	13	9,221	3,698
Total current liabilities		**59,672**	**30,180**
Total liabilities		**59,672**	**30,180**
Net assets		**229,171**	**428,023**
Equity			
Issued capital	14	593,875	578,875
Accumulated losses	15	(364,704)	(150,852)
Total equity		**229,171**	**428,023**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers		123,457	2,719
Payments to suppliers and employees		(324,051)	(189,363)
Interest received		10,636	332
Interest paid		(226)	(39)
Net cash outflow from operating activities	**16**	**(190,184)**	**(186,351)**
Cash flows from investing activities			
Payment for intangible assets		-	(10,000)
Payments for property, plant and equipment		(1,090)	(243,977)
Net cash outflow from investing activities		**(1,090)**	**(253,977)**
Cash flows from financing activities			
Proceeds from issue of shares		15,000	611,650
Payment of share issue costs		-	(32,775)
Proceeds from receipt of loan		-	7,000
Repayment of loan		(2,300)	-
Net cash inflow from financing activities		**12,700**	**585,875**
Net increase in cash held		**(178,574)**	**145,547**
Cash at the beginning of the financial year		145,547	-
Cash at the end of the financial year	**6(a)**	**(33,027)**	**145,547**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
Total equity at the beginning of the period		428,023	-
Net loss for the period		(213,852)	(150,852)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		15,000	611,650
Costs of issuing shares		-	(32,775)
Total equity at the end of the period		**229,171**	**428,023**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

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.

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.

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.

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.

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 balance sheet 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 income statement, 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. Summary of significant accounting policies (continued)

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.

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.

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 balance sheet.

Comparative figures

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

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 is 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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

Payment terms

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

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.

Borrowings

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

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.

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. Summary of significant accounting policies (continued)

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.

Note 2. 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.

Notes to the financial statements continued

	2008 $	2007 $

Note 3. Revenue from ordinary activities

Operating activities:		
- services commissions	122,110	6,129
- other revenue	14	-
Total revenue from operating activities	**122,124**	**6,129**
Non-operating activities:		
- interest received	10,635	331
Total revenue from non-operating activities	**10,635**	**331**
Total revenues from ordinary activities	**132,759**	**6,460**

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	8,458	9,163
- leasehold improvements	12,270	2,557
Amortisation of non-current assets:		
- franchise agreement	2,000	500
	22,728	**12,220**
Finance costs:		
- interest paid	**226**	**39**
Bad debts	81	-

Note 5. Income tax expense

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss	(213,852)	(214,722)
Prima facie tax on loss from ordinary activities at 30%	(64,156)	(64,417)

Notes to the financial statements continued

	2008 $	2007 $

Note 5. Income tax expense (continued)

Add tax effect of:		
- non-deductible expenses	620	150
- timing difference expenses	1,571	2,363
- blackhole expenses	(1,966)	(1,966)
Tax losses not brought to account	63,931	-
	-	**(63,870)**
Income tax losses:		
Future income tax benefits arising form tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.		
Future income tax benefit carried forward but not bought to account is:	**63,931**	**-**

Note 6. Cash assets

Cash at bank and on hand	-	145,547
Bank overdraft	(33,027)	-
	(33,027)	**145,547**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
6(a) Reconciliation of cash		
Cash at bank and on hand	-	145,547
Bank overdraft	(33,027)	-
	(33,027)	**145,547**

Note 7. Trade and other receivables

Trade receivables	1,456	3,480
Prepayments - Insurance	3,398	3,549
	4,854	**7,029**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment

	2008 $	2007 $
Plant and equipment		
At cost	54,468	53,378
Less accumulated depreciation	(17,666)	(9,163)
	36,802	**44,215**
Leasehold improvements		
At cost	190,599	190,599
Less accumulated depreciation	(14,782)	(2,557)
	175,817	**188,042**
Total written down amount	**212,619**	**232,257**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	44,215	-
Additions	1,090	53,378
Disposals	-	-
Less: depreciation expense	(8,503)	(9,163)
Carrying amount at end	**36,802**	**44,215**
Leasehold improvements		
Carrying amount at beginning	188,042	-
Additions	-	190,599
Disposals	-	-
Less: depreciation expense	(12,225)	(2,557)
Carrying amount at end	**175,817**	**188,042**
Total written down amount	**212,619**	**232,257**

Notes to the financial statements continued

	2008 $	2007 $

Note 9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(2,500)	(500)
	7,500	**9,500**

Note 10. Deferred tax

Deferred tax asset

Opening balance	63,870	-
Future income tax benefits attributable to losses	-	63,870
Deferred tax on provisions	-	-
Closing balance	**63,870**	**63,870**

Note 11. Trade and other payables

Trade creditors	10,724	17,482
Other creditors & accruals	2,000	2,000
	12,724	**19,482**

Note 12. Borrowings

Loan from Tumbarumba Shire Council	**4,700**	**7,000**

Note: The agreement outlines that the loan is interest free and repayable over three years with annual payments starting on 1 August 2007 and the final instalment due on 1 September 2009.

Note 13. Provisions

Employee provisions	9,221	3,698
Number of employees at year end	**3**	**3**

Notes to the financial statements continued

	2008 $	2007 $

Note 14. Contributed equity

	2008 $	2007 $
626,650 Ordinary shares fully paid of $1 each (2007: 611,650)	626,650	611,650
Less: equity raising expenses	(32,775)	(32,775)
	593,875	**578,875**

Note 15. Accumulated losses

	2008 $	2007 $
Balance at the beginning of the financial year	(150,852)	-
Net loss from ordinary activities after income tax	(213,852)	(150,852)
Dividends paid	-	-
Balance at the end of the financial year	**(364,704)**	**(150,852)**

Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2008 $	2007 $
Loss from ordinary activities after income tax	(213,852)	(150,852)
Non cash items:		
- depreciation	20,728	11,720
- amortisation	2,000	500
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,175	(7,029)
- (increase)/decrease in other assets	-	(63,870)
- increase/(decrease) in payables	(6,758)	19,482
- increase in provisions	5,523	3,698
Net cash flows used in operating activities	**(190,184)**	**(186,351)**

Note 17. Director and related party disclosures

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

Colin James Nagle

Lachlan Ian MacKenzie

Anthony Owen A'Beckett

Bruce Bertram Alleyn

Malcolm Paul Barclay

Lois Elizabeth Elliot

Julie Maree Giddings

Albert George Martin

Malcolm Antony Marshall

Graham Bradfield Smith

Dannye Martin Brennan (Appointed 30 December 2007)

Christopher Mark Brice (Resigned 29 November 2007)

Andrew Kevin Jones (Resigned 29 November 2007)

Director, Christopher Mark Brice provided electrical services to the Company and was paid a total of $400 during the 2008 financial year.

No other Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**	**2007**
Colin James Nagle	2,000	2,000
Lachlan Ian MacKenzie	5,000	5,000
Anthony Owen A'Beckett	30,000	30,000
Bruce Bertram Alleyn	14,000	14,000
Malcolm Paul Barclay	2,000	2,000
Lois Elizabeth Elliot	5,000	5,000
Julie Maree Giddings	2,000	2,000
Albert George Martin	40,000	40,000
Malcolm Antony Marshall	4,000	4,000
Graham Bradfield Smith	2,000	2,000
Dannye Martin Brennan (Appointed 30 December 2007)	5,000	5,000
Christopher Mark Brice (Resigned 29 November 2007)	3,000	3,000
Andrew Kevin Jones (Resigned 29 November 2007)	3,000	3,000

There was no movement in Directors shareholdings during the year. Each share held is valued at $1.

Notes to the financial statements continued

	2008 $	2007 $

Note 18. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:		
- audit & review services	3,000	3,000
- non audit services	3,269	14,600
	6,269	**17,600**

Note 19. Earnings per share

(a) Loss attributable to the ordinary equity holders of the Company used in calculating earnings per share	(213,852)	(150,852)

	2008 Number	2007 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	624,077	611,650

Note 20. 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 21. Contingent liabilities

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

Note 22. Segment reporting

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

Note 23. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
27 The Parade, Tumbarumba NSW 2653	27 The Parade, Tumbarumba NSW 2653

Note 24. Financial instruments

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 the year end.

Credit risk

The maximum exposure to credit risk at balance 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.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

			Fixed interest rate maturing in									
Financial instrument	**Floating interest rate**		**1 year or less**		**Over 1 to 5 years**		**Over 5 years**		**Non interest bearing**		**Weighted average effective interest rate**	
	2008 $	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 %**	**2007 %**
Financial assets												
Cash assets	-	109,699	-	-	-	-	-	-	-	-	0.05	0.05
Trust account	-	35,848	-	-	-	-	-	-	-	-	Nil	3.75
Receivables	-	-	-	-	-	-	-	-	4,854	7,029	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	12,724	19,482	N/A	N/A
Borrowings	(33,027)	-	-	-	-	-	-	-	4,700	7,000	Nil	Nil

Director's declaration

In accordance with a resolution of the Directors of Tumbarumba Financial Services Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Colin James Nagle
Chairman

Lachlan Ian MacKenzie
Treasurer

Signed on 12 September 2008.

Independent audit report

AFS
partners in success
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Tumbarumba Financial Services Limited

We have audited the accompanying financial report of Tumbarumba Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors 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 designing, implementing and maintaining internal controls 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. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Tumbarumba Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 12th day of September 2008

Tumbarumba **Community Bank**® Branch
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Franchisee: Tumbarumba Financial Services Limited
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