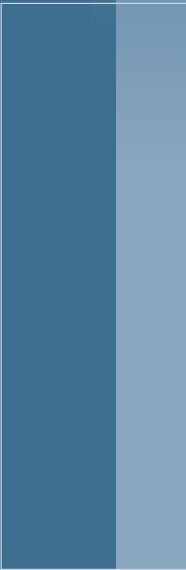
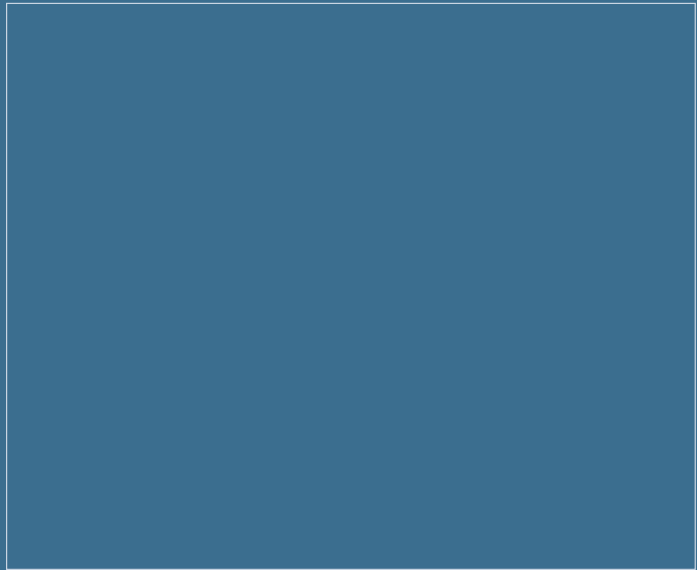
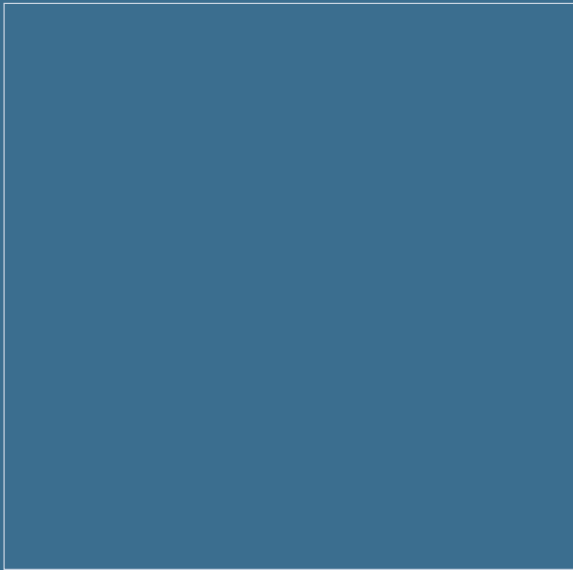


annual report | 2009



Ettalong Beach
Financial Services Ltd
ABN 37 110 069 120

Ettalong Beach **Community Bank**[®] Branch

Contents

Chairman's report	2-3
Manager's report	4
Directors' report	5-9
Auditor's independence declaration	10
Financial statements	11-14
Notes to the financial statements	15-30
Directors' declaration	31
Independent audit report	32-33

Chairman's report

For year ending 30 June 2009

To reflect on the events of the last 12 months, one is quickly drawn to the fact that we have been a part of an industry that has probably endured the most amazing and devastating international financial failures that the world has ever had to survive. As I pen this note today, the industry's future does now look as though we may have already witnessed the worst of the upheaval, and, to the contrary of many businesses, we have continued to move forward. I can now report that over the last year, we have begun recording regular profitable monthly performances. Also, Bendigo and Adelaide Bank Ltd have awarded us on several occasions with the region's award for the 'best performer of the month'.

At the National **Community Bank**[®] Conference held in Bendigo early in 2008, a national advertising program directed at the coming Olympic Games were focussed around the word "Community", with a great emphasis on the letter U, (as in "you") which is at the centre of the society in which we all live. In short the U signifies many of the wonderful things that have been done in our Peninsula area - not by governments or councils but by you the member of the community who decided to get involved in the countless establishments (retirement villages, sports clubs and so on) that have only happened because you made it happen. In retrospect this word is what our Peninsula is all about in many ways.

And, look at us now - from a "Bank Book" of \$25 million in 2007 (two years after our launch), to \$40 million reported in 2008, and at today's date in 2009 we have now passed the \$58 million mark with many growing involvements suggesting that the \$60 million mark will be passed in the first quarter of 2010. And we are profitable. This year we have distributed over \$40,000 to numerous organisations and community support requests, and I believe that our growth in customers to what is now over 2,000 is very pleasing. And this has only occurred because of U.

Like most commercial operations, success only follows excellent ingredients being added to the concept. We have them - firstly our shareholders who provided the initial finance without which we could never have began. We have the very best of General Managers in Tony Gravas, who has demonstrated a wonderful first year of management. It has been Tony who is here, there, and everywhere, always available to his clients, his staff and his Directors. Always pleasant with a continual smile for their client, our Board are grateful to our senior staff Maree Richardson and Kym Kelleher who have been with us since day one, and the support smilers Johanna, Jenny, Jodie, Julie, Norma and Juliette.

Our team of Directors have been few in numbers throughout the year, but we have managed to contribute in many ways. The backbone of the paperwork is still being discharged by our Foundation Secretary Brian Wright and our Treasurer Don Wilson. Mick Gage, who had 45 years of experience in the banking industry, constantly adds to the Board decisions with logic that only an experienced banker could add. I thank my loyal Board members for their contributions.

The last but most important ingredient that we must add to success is our customers. The successful growth in any venture can only be measured - not necessarily by the profits generated - but by the acceptance and growth of your customers. I have continually received grateful comments from our customers who are happy to report

Chairman's report continued

on the service, friendship and advice that is always available to them at the bank. May their numbers continue to grow in the future and I am sure they will.

Finally, for our shareholders, I would like to add some notes from the Bendigo and Adelaide Bank Ltd viewpoint. This information has been provided to the now hundreds of **Community Bank**[®] branches that have come into existence in the last decade.

Your **Community Bank**[®] branch has been established by the people of your community, the shareholders. The community has bought into a structure that will provide them with a certainty of banking services, along with providing tangible benefits to the community in the forms of initiatives, and projects that will stimulate increased local opportunities and enterprise. Without the support of the community in the formative days of your **Community Bank**[®] branch, and on an ongoing basis, what you have achieved today would not have been possible.

It is imperative that the community's objectives and goals in setting up the **Community Bank**[®] branch are not lost as time passes when there are changes of Directors. To do this, it is critical to acknowledge that the shareholders, and the wider community, play a vital role in the ongoing success of the business. By supporting the **Community Bank**[®] branch with their banking business, and acting as ambassadors within the community, shareholders can play a most active role in ensuring the success of the business.

To assist with this recognition of our shareholders, it is my proposal that at least once every year, the Board organise a festive dinner, where the staff, the Directors and our shareholders are invited, to meet in an open assembly where recommendations and oversights can be discussed.

In closing, we would like to wish you all a prosperous and successful 2010.



Don Leggett A.M. J.P.
Board Chairman

Manager's report

For year ending 30 June 2009

I have now completed my first year as Manager at Ettalong Beach and what a tremendous year it has been. Despite the Global Financial Crisis, the branch achieved the targets set down by the Board. Along the way we have picked up awards for our performance within our Region which are as follows;

- Branch of the month in December 2008 and January 2009, we were runners up on three other occasions
- Insurance winners for the month of December 2008 and January 2009
- Recognition as the highest referrers to Wealth Management for year ending 30 June 2009
- I received the sales and service award for NSW in May 2009
- Branch achieved operating profit in May and June 2009

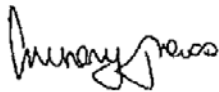
During the year we grew our book from \$33 million to \$54 million. This would not have been achieved without the efforts on the staff. The girls have done a tremendous job in growing the business and I thank them.

The Directors have assisted by seeking business opportunities whenever they can. The referrals they have passed on to me have helped us as a group to meet the goals.

The new year has started well, we have a strong pipeline in lending, which will see us ahead of budget. The girls have worked tirelessly on phoning clients regarding their term deposits, which has resulted in us maintaining our book. The signs are promising for a good year ahead.

As shareholders I am sure you are pleased to see the improvement in the branch. However, for us to meet our goals we need your assistance in spreading the news about the bank, you are our advocates.

I wish you all the best for the year ahead.



Tony Gravas
Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Don Leggett

Chairman

Age: 81

Retired Business man

50 years of involvement with community groups in Woy Woy & District area.

Interest in shares: 5,001

Brian Wright

Company Secretary

Age: 62

Retired Banker

38 years experience in banking, specialising in Treasury operations & Financial Markets.

Interest in shares: 11,001

Don Wilson

Treasurer

Age: 54

35 years as a CPA in public accounting, including 24 years as principal of Wilson Graham & Associates in Woy Woy.

Interest in shares: 5,000

Mathew Wales

Director

Age: 51

Director of Wales & Associates, Urban Design & Development Services for 18 years. President of Peninsular Chamber of Commerce.

Interest in shares: 5,001

Mick Gage

Director

Age: 67

Retired banker

45 years experience in Commercial Trading & Savings Bank industry.

Interest in shares: 10,000

Debra Wales

Director

Age: 56

Director Wales & Associates, Urban Design &

Development Services. Co-Ordinator Peninsular Main Street Committee. Former Gosford City Councillor.

Interest in shares: 5,001

Alan Gleeson

Director

Age: 61

Retired Accountant

Company Director, Business Management Advisor Real Estate Property Developer.

Interest in shares: Nil

Eric Leggett

Director

Age: 79

Retired Agronomist

Formerly Principal Agronomist (Remote Sensing) with Department of Agriculture. Past Director with Agristaff Credit Union.

Interest in shares: 5,000

Directors' report continued

Simon Della Vedova

Director (resigned 7 November 2008)

Age: 31

Optometrist

Partner in local business, Bay Optical in Ettalong Beach.

Interest in shares: 3,001

Teresa Parker

Director

(Appointed 21 November 2008; resigned 31 July 2009)

Age: 46

CEO Peninsula Village. Responsible for administration, and control of 450 residents & staff. Specifically involved in aged care and youth programs on the peninsula.

Interest in shares; Nil

Maddi Khalida Steele

Director (Appointed 21 November 2008)

Age: 28

Law Student, French Teacher, Fundraiser

Strong advocate for local community projects and actively involved in fund raising programs.

Interest in shares: 1,000

Mary Doherty

Director

(Appointed 21 November 2008; resigned 15 February 2009)

Age: 52

Regional Manager NSW Business Chamber

Successful business operator, involved in regional affairs, and business interests on the Central Coast.

Interest in shares: Nil

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

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Brian Wright. Brian was appointed to the position of Secretary on 16 July 2004.

Principal activities

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

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

Operating results

The recent global financial crisis has adversely impacted the stability of the international financial system. The current global financial crisis presents a challenge for all financial institutions, including Bendigo and Adelaide Bank Ltd and in turn Ettalong Beach Financial Services Limited. The duration and extent of the global financial crisis is still largely unknown and continuation of these conditions could adversely affect the ongoing financial performance or financial condition of the Company's business as a franchisee of a **Community Bank**[®] branch.

Directors' report continued

The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2009	Year ended 30 June 2008
\$	\$
(187,941)	(111,001)

Remuneration report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

The Company aims to provide market-competitive compensation by offering a package of fixed pay benefits. There were no added incentives in place at 30 June 2009.

Details of remuneration

Tony Gravas - Branch Manager Within a range of \$60,000 to \$80,000

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.

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' report continued

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. 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.

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
Don Leggett	11	11
Mick Gage	11	8
Brian Wright	11	11
Debra Wales	11	6
Don Wilson	11	11
Alan Gleeson	11	8
Mathew Wales	11	4
Eric Leggett	11	8
Simon Della Vedova (Resigned 21 November 2008)	4	1
Teresa Parker (Appointed 21 November 2008; Resigned 31 July 2009)	7	2
Maddi Khalida Steele (Appointed 21 November 2008)	7	6
Mary Doherty (Appointed 21 November 2008; Resigned 15 February 2009)	3	0

Directors' report continued

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 10.

Signed in accordance with a resolution of the Board of Directors at Ettalong, NSW on 7 December 2009.



Don Leggett
Chairman



Brian Wright
Director

Auditor's independence declaration



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Auditor's Independence Declaration

As lead Auditor for the audit of Ettalong Beach Financial Services Limited for the year ended 30 June 2009, 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.

This declaration is in respect of Ettalong Beach Financial Services Limited.

A handwritten signature in black ink, appearing to read 'D Hutchings', is written over a light grey signature line.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	3	413,825	396,519
Salaries and employee benefits expense		(297,923)	(264,349)
Charitable donations, sponsorship, advertising & promotion		(33,912)	(9,883)
Occupancy and associated costs		(52,587)	(50,845)
Systems costs		(27,743)	(27,276)
Depreciation and amortisation expense	4	(36,402)	(37,453)
Finance costs	4	(25,259)	(17,006)
General administration expenses		(127,940)	(100,708)
Loss before income tax expense		(187,941)	(111,001)
Income tax expense	5	-	-
Loss for the period		(187,941)	(111,001)
Loss attributable to members of the entity		(187,941)	(111,001)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	18	(24.84)	(14.67)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
Assets			
Current assets			
Cash assets	6	500	1,577
Trade and other receivables	7	40,845	38,291
Total current assets		41,345	39,868
Non-current assets			
Property, plant and equipment	8	183,517	207,918
Intangible assets	9	9,000	21,000
Total non-current assets		192,517	228,918
Total assets		233,862	268,786
Liabilities			
Current liabilities			
Trade and other payables	10	26,698	66,806
Financial liabilities	11	340,250	158,846
Provisions	12	20,488	12,756
Total current liabilities		387,436	238,408
Non-current liabilities			
Provisions		8,080	4,091
Total non-current liabilities		8,080	4,091
Total liabilities		395,516	242,499
Net assets		(161,654)	26,287
Equity			
Issued capital	13	722,104	722,104
Accumulated losses	14	(883,758)	(695,817)
Total equity		(161,654)	26,287

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		411,271	381,426
Payments to suppliers and employees		(568,492)	(426,321)
Interest paid		(25,260)	(15,504)
Net cash used in operating activities	15	(182,481)	(60,399)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,541)
Net cash used in investing activities		-	(2,541)
Net decrease in cash held		(182,481)	(62,940)
Cash at the beginning of the financial year		(157,269)	(94,329)
Cash at the end of the year	6(a)	(339,750)	(157,269)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	2009 \$	2008 \$
Total equity at the beginning of the period	26,287	137,288
Net loss for the period	(187,941)	(111,001)
Net income/expense recognised directly in equity	-	-
Total income and expense recognised by the entity for the year	(187,941)	(111,001)
Dividends provided for or paid	-	-
Shares issued during period	-	-
Costs of issuing shares	-	-
Total equity at the end of the period	(161,654)	26,287

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

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 from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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.

Notes to the financial statements continued

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.

Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

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 and Adelaide Bank Ltd.

(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.

Notes to the financial statements continued

Note 2. Financial risk management (continued)

(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.

(vi) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

	2009 \$	2008 \$
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Note 3. Revenue from ordinary activities

Operating activities:

- margin income	179,895	218,722
- services commissions	128,052	87,322
- other revenue	105,878	90,475
Total revenue from operating activities	413,825	396,519

Notes to the financial statements continued

	2009 \$	2008 \$
Note 3. Revenue from ordinary activities (continued)		
Non-operating activities:		
- interest received	-	-
Total revenue from non-operating activities	-	-
Total revenues from ordinary activities	413,825	396,519

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	11,356	12,356
- leasehold improvements	13,046	13,097
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	36,402	37,453
Finance costs:		
- interest paid	25,259	17,006
Bad debts	112	2,044

Note 5. Income tax expense

The components of tax expense comprise:

- Future income tax benefits attributable to losses	(53,155)	(32,224)
- Deferred tax	(888)	(10,252)
- Future income tax benefit not brought to account	54,043	42,476
	-	-

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

Operating loss	(187,941)	(111,001)
Prima facie tax on profit from ordinary activities at 30%	(56,382)	(33,300)

Notes to the financial statements continued

	2009 \$	2008 \$
Note 5. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	4,415	3,600
- timing difference expenses	888	(448)
- blackhole expenses	(2,076)	(2,076)
Movement in deferred tax	(888)	(10,252)
Future income tax benefit not brought to account	54,043	42,476
Income tax expense on operating loss	-	-
Income tax losses		
Future income tax benefits arising from 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 is:		
	258,934	204,891

Note 6. Cash assets

Cash at bank and on hand	500	1,577
	500	1,577

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	500	1,577
Bank overdraft	(340,250)	(158,846)
	(339,750)	(157,269)

Note 7. Trade and other receivables

Trade receivables	35,983	34,466
Rental Bond	450	450
Prepayments	4,412	3,375
	40,845	38,291

Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	85,624	85,624
Less accumulated depreciation	(46,241)	(34,886)
	39,383	50,738
Leasehold improvements		
At cost	198,608	198,608
Less accumulated depreciation	(54,474)	(41,428)
	144,134	157,180
Total written down amount	183,517	207,918
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	50,738	60,554
Additions	-	2,541
Disposals	-	-
Less: depreciation expense	(11,355)	(12,357)
Carrying amount at end	39,383	50,738
Leasehold improvements		
Carrying amount at beginning	157,180	170,277
Additions	-	-
Disposals	-	-
Less: depreciation expense	(13,046)	(13,097)
Carrying amount at end	144,134	157,180
Total written down amount	183,517	207,918

Note 9. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(51,000)	(39,000)
	9,000	21,000

Notes to the financial statements continued

	2009 \$	2008 \$
Note 10. Trade and other payables		
Trade creditors	4,715	40,524
Other creditors & accruals	21,983	26,282
	26,698	66,806

Note 11. Borrowings

Bank overdraft	340,250	158,846
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The above bank overdraft facility is to be charged interest at the Bendigo and Adelaide Bank Ltd's Business Solutions Non-Residential Security Interest Rate (currently 10.14% varying from time to time).

Note 12. Provisions

Current:

Provision for annual leave	20,488	12,756
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Non-current:

Provision for long service leave	8,080	4,091
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Number of employees at year end	9	8
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Note 13. Contributed equity

756,711 Ordinary shares fully paid of \$1 each (2008: 756,711)	756,711	756,711
Less: equity raising expenses	(34,607)	(34,607)
	722,104	722,104

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

Notes to the financial statements continued

Note 13. Contributed equity (continued)

Rights attached to shares (continued)

The purpose of giving each shareholder only one vote, regardless of the number of Shares held, is to reflect the nature of the Company as a community based Company, by providing that all shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo and Adelaide Bank Ltd contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the Company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the Company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder's associate) to dispose of the number of Shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified Shares on behalf of that person. The holder will be entitled to the consideration from the sale of the Shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the Constitution, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

Notes to the financial statements continued

	2009 \$	2008 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(695,817)	(584,816)
Net loss from ordinary activities after income tax	(187,941)	(111,001)
Balance at the end of the financial year	(883,758)	(695,817)

Note 15. Statement of cash flows

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

Loss from ordinary activities after income tax	(187,941)	(111,001)
Non cash items:		
- depreciation	24,402	25,453
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,517)	(15,094)
- (increase)/decrease in other assets	(1,037)	(3,375)
- increase/(decrease) in payables	(40,109)	34,104
-increase/(decrease) in provisions	11,721	(2,486)
Net cash flows provided by/(used in) operating activities	(182,481)	(60,399)

Note 16. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	7,660	4,000
- non audit services	-	2,165
	7,660	6,165

Notes to the financial statements continued

Note 17. Director and related party disclosures

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

Don Leggett

Mick Gage

Brian Wright

Debra Wales

Don Wilson

Alan Gleeson

Mathew Wales

Eric Leggett

Simon Della Vedova (Resigned 7 November 2008)

Teresa Parker (Appointed 21 November 2008; Resigned 31 July 2009)

Maddi Khalida Steele (Appointed 21 November 2008)

Mary Doherty (Appointed 21 November 2008; Resigned 15 February 2009)

No 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	2009	2008
Don Leggett	5,001	5,001
Mick Gage	10,000	10,000
Brian Wright	11,001	11,001
Debra Wales	5,001	5,001
Don Wilson	5,000	5,000
Alan Gleeson	-	-
Mathew Wales	5,001	5,001
Eric Leggett	5,000	5,000
Simon Della Vedova (Resigned 21 November 2008)	3,001	3,001
Teresa Parker (Appointed 21 November 2008; Resigned 31 July 2009)	-	-
Maddi Khalida Steele (Appointed 21 November 2008)	1,000	1,000
Mary Doherty (Appointed 21 November 2008; resigned 15 February 2009)	-	-

There was no movement in Directors' shareholdings during the year.

Notes to the financial statements continued

	2009	2008
	\$	\$
Note 18. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(187,941)	(111,001)

	2009	2008
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	756,711	756,711

Note 19. 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 20. Contingent liabilities

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

Note 21. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] branch services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Ettalong Beach district, NSW.

Note 22. Registered office/principal place of business

The registered office and principal place of business is:
263-267 Ocean View Road, Ettalong Beach NSW 2257.

Note 23. Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at the year end.

Notes to the financial statements continued

Note 23. Financial instruments (continued)

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 Balance Sheet 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

Financial instrument	Floating interest rate		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					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	-	-	-	-	-	-	-	-	500	1,577	N/A	N/A
Receivables	-	-	-	-	-	-	-	-	40,845	38,291	N/A	N/A
Financial liabilities												
Interest bearing liabilities	340,250	158,846	-	-	-	-	-	-	-	-	10.39	10.79
Payables	-	-	-	-	-	-	-	-	26,698	66,806	-	N/A

Directors' declaration

In accordance with a resolution of the Directors of Ettalong Beach 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 2009 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.



Don Leggett
Chairman



Brian Wright
Director

Signed 7 December 2009.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Ettalong Beach Financial Services Limited

We have audited the accompanying financial statements of Ettalong Beach Financial Services Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, 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 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 in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 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.

Liability limited by a scheme approved under Professional Standards Legislation

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 directors' 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 on the Financial Report

In our opinion:


- 1) The financial report of Ettalong Beach Financial Services Limited is in accordance with the Corporations Act 2001 including
 - (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
- 2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Ettalong Beach Financial Services Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.



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

Dated this day 7th of December 2009

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