

East Gosford & Lisarow **Community Bank**[®] branches and Kincumber branch



East Gosford



Kincumber



Lisarow



East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

9th Annual Report For 2009



Chairman's Report

Introduction and General Overview

As your Chairman and on behalf of the Board I am pleased to present my sixth annual report on the affairs of your Company, now in its tenth year of operation. It has been an extremely difficult and challenging year.

The global financial crisis has been described as the most serious financial crisis since the 1930s and as the Chairman of Bendigo and Adelaide Bank recently stated, "It has fundamentally changed the nature of banking for at least a generation". As I am sure you are aware the Australian economy has fared better than most other countries, however our business has not been immune from global forces.

Our trading result for the financial year, after provision for income tax was a net loss of \$135,311 (2008 profit \$31,411). Revenue decreased from \$1.591 million in 2008 to 1.501 million in 2009, which represents a decrease of 5.7%. This fall in revenue was directly due to a squeeze on margins due to the funding mix and the maturity of higher rated marginal term deposits, which had a negative effect on revenue growth.

Employee costs increased 16% and this was due to the staff restructure program implemented by the board on 1 July 2008. This resulted in Branch Managers being placed in all of our three branches. In addition, the Company, prior to Michelle White going on maternity leave, employed Kellie Coleman, incurring extra staff costs. We welcome Kellie as our relieving supervisor at Lisarow.

In the early hours of Friday 22 May 2009 our ATM at the Lisarow branch was gassed causing considerable damage to the ATM room and ATM, resulting in extensive repairs and replacement of the ATM. On Friday 31 July our Lisarow branch suffered an armed holdup with the bandits gaining access though the ATM room. Security guards were positioned outside both Lisarow and East Gosford branches until security grills were installed on the front windows of their ATM rooms. The Board regrets these incidents and the toll it took on our staff. All staff acted in the most appropriate manner and we appreciate their ability to overcome such difficulties. After a review we have taken additional measures at our branches to upgrade security. I must congratulate our Senior Manager, Michael Bell, for the professional way in which he handled both situations

Sponsorships decreased from \$ 46,967 in 2008 to \$36,294 in 2009.

We are continuing to advertise on NBN television but at a reduced cost compared with the previous year.

It is important to note that no company funds were used for advertising or sponsorships during the past financial year. All **Community Bank®** branches are given a Market Development Fund income based on the balance of current business levels capped at \$50 million in business. This fund has been used to promote our branches through advertising and sponsorships.

As a result of our trading loss the board has recommended that no dividend be paid to shareholders for the financial year ended 30 June 2009.

Whilst we are disappointed with the financial result we need to focus on the positives. Our combined banking business has increased from \$128.4 million as at 30 June 2008 to \$151.9 million as at 30 June 2009. This represents an increase of \$23.5 million or 18.3% over the previous year. Our Company has not seen this sort of increase in banking business since inception and I am confident that we have turned the corner.

At the State **Community Bank®** Conference in May it was announced that East Gosford and Districts Financial Services won the inaugural NSW/ACT Hall of Fame award for our services to the community. It was indeed an honour for our company to win this award.

Our Board continues to support the Bendigo Bank Junior Observer program with Danielle Ward from Narara Valley High School and Blake Moffat from Gosford High School attending our meetings and helping with promotional days.

I am pleased to announce that the Board has appointed two new directors, Mary Collins and Don Glover. We welcome both Mary and Don to the Board.

Our Senior Manager and Company Secretary, Michael Bell, is taking on the role as relieving Regional Manager while Rob Chittick is on leave from October this year to January next year. On behalf of the Board I would like to congratulate him on his new position. Michael will also continue working for our Company.

I would like to take this opportunity to congratulate our Senior Manager Michael Bell, our Branch Managers, Julie Carrington at East Gosford, Terri Rutherford at Lisarow and Martin Creese at Kincumber and all staff for their dedication and commitment to the **Community Bank®** concept.

On behalf of the Board, I would like to thank all our shareholders and customers for your support helping to build a successful **Community Bank®** branch network, which in turn benefits our community, it is through your support our Company and the **Community Bank®** concept continues to grow.

Special thanks again must go to all Directors for giving up their time on a voluntary basis to support the **Community Bank®** model.

Bob Rudd
Chairman

Senior Manager's Report

A tumultuous year to say the least. Whilst our business grew across the three branches to a combined \$23.5 million, profit did not follow which was disappointing for all.

The margin squeeze we experienced was neither expected nor experienced before and the loss for the year was attributable to the amount we paid out to depositors at high rates when loan rates fell dramatically over a four month period, resulting in a negative cash flow.

Having said that, now as economic conditions have stabilized, the business we have on our books should now start to work in our favour and contribute to our bottom line.

The other result of the last twelve months has focused us on the fact we need to increase our lending portfolio to all facets of the community both personal and business to ensure we have a balance between funds held and funds lent to minimize any future shocks that may occur.

Our three branches continue to support community functions with staff involvement in a lot of these events which is pleasing to see, spreading the word and benefits of **Community Bank®** concept.

Our **Community Bank®** branches provide more than just financial services. We are about encouraging community collaboration, keeping local money and jobs in our community and directing future profits to local initiatives and projects.

A thank you to all staff across our three branches for your hard work and sacrifices over the last financial year and for your ongoing positive attitudes to ensuring our business continues to be a success. Our Directors, who assist the business on a voluntary basis, ensuring its long term viability, again thank you. Also thank you to our shareholders for your continued support of our Bank and for what the **Community Bank®** model represents within the community.

Michael Bell
Senior Manager

Directors' Report

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 are:

Robert Geoffrey Rudd
Chairman
Surveyor

Brian Wilfred Lindbeck
Treasurer
Retired Maintenance Accountant

Maxwell Robert Hiron
Director
Licensed Electrical Contractor

Barry Kenneth McDonald
Director
Retired Managing Director Albany International Ltd

Kenneth George Howes
Director
Chartered Accountant

Garry Samuel Morris
Director
Financial Advisor

Colin Moran
Director
Small Business Owner

Mary Elizabeth Collins
Director (appointed 25th August 2009)
Retired Teacher and Property Investor

Theo Reginald Glover
Director (appointed 25th August 2009)
Sales and Marketing Manager

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

The profit/(loss) of the company for the financial year after provision for income tax was (\$135,311) (2008: \$31,411). The loss for the year ended 30 June 2009 was largely attributable to the global financial crisis, and its effect on banking both globally and in Australia.

Dividends	Year Ended 30 June 2009	
	Cents Per Share	\$
Dividends paid in the year:		
- Final for the previous year	5	49,741

Directors' Report**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.

Significant events after the balance date

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 providing banking services to the community.

Directors' Benefits

During the year Brian Lindbeck received \$6,695 (2008: \$7,035) as reimbursement of telephone, IT and motor vehicle expenses.

No other 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 Managers 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' Report**Directors' Meetings**

The number of Directors' Meetings attended by each of the Directors of the company during the year were:

Number of Meetings Held: 11

Number of Meetings Attended:

	Number eligible to attend	Number attended	Apologies
Robert Geoffrey Rudd	11	11	-
Maxwell Robert Hiron	11	11	-
Brian Wilfred Lindbeck	11	10	1
Barry Kenneth McDonald	11	8	3
Kenneth George Howes	11	9	2
Garry Samuel Morris	11	10	1
Colin Moran	11	10	1
Mary Elizabeth Collins	-	-	-
Theo Reginald Glover	-	-	-

Company Secretary

Michael Bell was appointed non-director company secretary on 9 May 2008. He has a Graduate Certificate in Banking and Finance, a Diploma in Business (Real Estate Management) and a Diploma of Management. He is currently the senior manager of East Gosford & Districts Financial Services Ltd.

Corporate Governance

The company has implemented various corporate governance practices, which include:

- (a) An audit committee;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Directors' Report

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



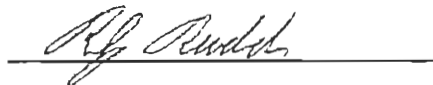
172-176 McIvor Rd
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsd advisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of East Gosford and Districts Financial Services Ltd for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
7 September 2009

Signed in accordance with a resolution of the Board of Directors at East Gosford, New South Wales on 7 September 2009.



Robert Rudd, Chairman

EAST GOSFORD & DISTRICTS FINANCIAL SERVICES LIMITED

ABN 90 092 538 620

Income Statement For the year ended 30 June 2009

	<u>Notes</u>	2009 \$	2008 \$
Revenues from ordinary activities	2	1,501,044	1,590,520
Employee benefits expense	3	(989,306)	(851,069)
Charitable donations and sponsorship		(36,294)	(46,967)
Depreciation and amortisation expense	3	(91,350)	(90,603)
Administration & other expenses from ordinary activities		<u>(563,314)</u>	<u>(549,424)</u>
Profit/(loss) before income tax expense		(179,220)	52,457
Income tax expense/(benefit)	4	<u>(43,909)</u>	<u>21,046</u>
Profit/(loss) after income tax expense		<u>(135,311)</u>	<u>31,411</u>
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	(13.60)	3.18
- diluted for profit/(loss) for the year	22	(13.60)	3.18
- dividends paid per share	21	5.00	5.00

EAST GOSFORD & DISTRICTS FINANCIAL SERVICES LIMITED

ABN 90 092 538 620

Balance Sheet As at 30 June 2009

	Notes	2009 \$	2008 \$
Current Assets			
Cash assets	6	224,764	412,409
Current tax receivable	4	11,122	1,846
Receivables	7	204,044	167,777
Total Current Assets		<u>439,930</u>	<u>582,032</u>
Non-Current Assets			
Investments	8	500	500
Property, plant and equipment	9	274,299	314,221
Intangible assets	10	53,481	87,897
Deferred tax asset	4	43,309	-
Total Non-Current Assets		<u>371,589</u>	<u>402,618</u>
Total Assets		<u>811,519</u>	<u>984,650</u>
Current Liabilities			
Payables	11	101,844	113,568
Provisions	12	127,788	104,143
Total Current Liabilities		<u>229,632</u>	<u>217,711</u>
Total Liabilities		<u>229,632</u>	<u>217,711</u>
Net Assets		<u>581,887</u>	<u>766,939</u>
Equity			
Share capital	13	709,669	709,669
Retained earnings/(accumulated losses)	14	(127,782)	57,270
Total Equity		<u>581,887</u>	<u>766,939</u>

Cash Flow Statement
For the year ended 30 June 2009

	<u>Notes</u>	2009 \$	2008 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,596,911	1,699,693
Cash payments in the course of operations		(1,726,788)	(1,580,225)
Interest received		17,661	17,526
Income tax (paid)/refundable		(8,676)	11,744
Net cash flows from/(used in) operating activities	15b	<u>(120,892)</u>	<u>148,738</u>
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(8,212)	(11,280)
Purchase of intangible assets		(8,800)	(8,800)
Net cash flows from/(used in) investing activities		<u>(17,012)</u>	<u>(20,080)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	11,000
Dividends paid		(49,741)	(49,616)
Net cash flows from/(used in) financing activities		<u>(49,741)</u>	<u>(38,616)</u>
Net increase/(decrease) in cash held		(187,645)	90,042
Add opening cash brought forward		412,409	322,367
Closing cash carried forward	15a	<u>224,764</u>	<u>412,409</u>

Statement of Changes in Equity
For the year ended 30 June 2009

	2009	2008
	\$	\$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	709,669	698,669
Issue of share capital	-	11,000
Share issue costs	<u>-</u>	<u>-</u>
Balance at end of year	<u><u>709,669</u></u>	<u><u>709,669</u></u>
 RETAINED EARNINGS/(ACCUMULATED LOSSES)		
Balance at start of year	57,270	75,475
Profit/(loss) after income tax expense	(135,311)	31,411
Dividends paid or proposed	<u>(49,741)</u>	<u>(49,616)</u>
Balance at end of year	<u><u>(127,782)</u></u>	<u><u>57,270</u></u>

**Notes to the Financial Statements
for the year ended 30 June 2009****1. Basis of preparation of the Financial Report****(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 7 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

**Notes to the Financial Statements
for the year ended 30 June 2009****1. Basis of preparation of the Financial Report (continued)****Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<u>Class of Asset</u>	<u>Depreciation Rate</u>
Plant & equipment	2.5 - 20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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.

**Notes to the Financial Statements
for the year ended 30 June 2009****1. Basis of preparation of the Financial Report (continued)****Goods and services tax (continued)**

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 cash flow statement 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 operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

**Notes to the Financial Statements
for the year ended 30 June 2009**

1. Basis of preparation of the Financial Report (continued)**Receivables and Payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest Bearing Liabilities

All loans are 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 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.

Contributed Capital

Issued and paid up capital is 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.

2. Revenue from ordinary activities

	2009 \$	2008 \$
Operating activities:		
- other revenue	1,483,383	1,572,994
Total revenue from operating activities	<u>1,483,383</u>	<u>1,572,994</u>
Non-operating activities:		
- interest revenue	17,661	17,526
- other revenue	-	-
Total revenue from non-operating activities	<u>17,661</u>	<u>17,526</u>
Total revenues from ordinary activities	<u><u>1,501,044</u></u>	<u><u>1,590,520</u></u>

**Notes to the Financial Statements
for the year ended 30 June 2009**

3. Expenses

	2009 \$	2008 \$
Employee benefits expense		
- wages and salaries	883,282	758,919
- superannuation costs	77,307	63,725
- workers' compensation costs	2,416	2,401
- other costs	26,301	26,024
	<u>989,306</u>	<u>851,069</u>
Depreciation of non-current assets:		
- plant and equipment	48,134	47,387
Amortisation of non-current assets:		
- intangibles	43,216	43,216
	<u>91,350</u>	<u>90,603</u>
Bad debts	7,572	2,559

4. Income Tax Expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	(53,766)	15,737
Add tax effect of:		
- Non-deductible expenses	10,457	5,309
- Prior year under/(over) provision	(600)	-
<i>Current income tax expense</i>	<u>(43,909)</u>	<u>21,046</u>
Income tax expense	<u>(43,909)</u>	<u>21,046</u>

Deferred income tax asset

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

	<u>43,309</u>	<u>-</u>
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Tax liabilities

Current tax payable/(receivable)	<u>(11,122)</u>	<u>(1,846)</u>
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5. Auditors' Remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
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Notes to the Financial Statements for the year ended 30 June 2009

	2009 \$	2008 \$
6. Cash Assets		
Cash on hand	600	600
Cash at bank	74,164	211,809
Cash deposits at bank	150,000	200,000
	<u>224,764</u>	<u>412,409</u>
7. Receivables		
Trade debtors	146,016	144,942
Other debtors	21,275	13,222
Prepaid expenses	36,753	9,613
	<u>204,044</u>	<u>167,777</u>
8. Investments		
Shares in Public Companies	<u>500</u>	<u>500</u>
9. Property, Plant and Equipment		
<i>Plant and equipment</i>		
At cost	580,090	571,878
Less accumulated depreciation	(309,231)	(261,747)
Total written down amount	<u>270,859</u>	<u>310,131</u>
<i>Computer software</i>		
At cost	5,000	5,000
Less accumulated depreciation	(1,560)	(910)
Total written down amount	<u>3,440</u>	<u>4,090</u>
Total Property, Plant & Equipment	<u>274,299</u>	<u>314,221</u>
Movements in carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	310,131	345,588
Additions	8,212	11,280
Disposals	-	-
Depreciation expense	(47,484)	(46,737)
Carrying amount at end of year	<u>270,859</u>	<u>310,131</u>
<i>Computer software</i>		
Carrying amount at beginning of year	4,090	4,740
Additions	-	-
Disposals	-	-
Depreciation expense	(650)	(650)
Carrying amount at end of year	<u>3,440</u>	<u>4,090</u>

EAST GOSFORD & DISTRICTS FINANCIAL SERVICES LIMITED

ABN 90 092 538 620

Notes to the Financial Statements for the year ended 30 June 2009

	2009 \$	2008 \$
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	67,000	67,000
Less accumulated amortisation	(62,010)	(58,006)
	<u>4,990</u>	<u>8,994</u>
<i>Training Fee & Startup Assistance</i>		
At cost	237,544	228,744
Less accumulated amortisation	(189,053)	(149,841)
	<u>48,491</u>	<u>78,903</u>
Total Intangible Assets	<u>53,481</u>	<u>87,897</u>
11. Payables		
Trade creditors	49,719	26,776
Other creditors and accruals	52,125	86,792
	<u>101,844</u>	<u>113,568</u>
12. Provisions		
Employee benefits	<u>127,788</u>	<u>104,143</u>
Number of employees at year end	<u>21</u>	<u>20</u>
13. Share Capital		
760,008 Ordinary Shares fully paid of \$1 each #	760,008	760,008
234,804 Bonus Shares*	-	-
Less preliminary expenses	(50,339)	(50,339)
	<u>709,669</u>	<u>709,669</u>
* During 2005, 234,804 bonus shares were issued for no consideration at the rate of 1 share for every 2 held.		
14. Retained Earnings/(Accumulated Losses)		
Balance at the beginning of the financial year	57,270	75,475
Profit/(loss) after income tax	(135,311)	31,411
Dividends paid or proposed	(49,741)	(49,616)
Balance at the end of the financial year	<u>(127,782)</u>	<u>57,270</u>

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 \$	2008 \$
15. Cash Flow Statement		
<i>(a) Reconciliation of cash</i>		
Cash assets	<u>224,764</u>	<u>412,409</u>
<i>(b) Reconciliation of profit/(loss) after tax to net cash from/(used in) operating activities</i>		
Profit/(loss) from ordinary activities after income tax	(135,311)	31,411
Non cash items		
- Depreciation	48,134	47,387
- Amortisation	43,216	43,216
Changes in assets and liabilities		
- (Increase) decrease in receivables	(36,267)	(30,789)
- Increase (decrease) in payables	(11,724)	5,331
- Increase (decrease) in provisions	23,645	19,392
- (Increase) decrease in deferred tax asset	(43,309)	-
- (Increase) decrease in current tax receivable	(9,276)	32,790
Net cashflows from/(used in) operating activities	<u>(120,892)</u>	<u>148,738</u>

16. Directors and Related Party Disclosures

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

Robert Geoffrey Rudd
 Maxwell Robert Hiron
 Brian Wilfred Lindbeck
 Barry Kenneth McDonald
 Kenneth George Howes
 Garry Samuel Morris
 Colin Moran
 Mary Elizabeth Collins
 Theo Reginald Glover

During the year Brian Lindbeck received \$6,695 (2008: \$7,035) as reimbursement of telephone, IT and motor vehicle expenses.

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.

**Notes to the Financial Statements
for the year ended 30 June 2009****16. Directors and Related Party Disclosures (continued)**

Directors shareholdings	2009	2008
Robert Geoffrey Rudd	4,502	4,502
Maxwell Robert Hiron	2,502	2,502
Brian Wilfred Lindbeck	4,502	4,502
Barry Kenneth McDonald	3,000	3,000
Kenneth George Howes	1,502	1,502
Garry Samuel Morris	750	750
Colin Moran	10,000	10,000
Mary Elizabeth Collins	3,750	3,750
Theo Reginald Glover	-	-

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid. The above holdings are held personally or in associated entities.

17. Subsequent Events

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

18. Contingent Liabilities

Apart from below, there were no other contingent liabilities at the date of this report to affect the financial statements.

A bank guarantee for a rental bond for the Lisarow property of \$9,000 and a bank guarantee for fortnightly wages of \$35,000 has been made by the company.

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Central Coast, NSW.

20. Corporate Information

East Gosford & Districts Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange.

The registered office and principal place of business is: 101 Victoria Street
East Gosford NSW 2250

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 \$	2008 \$
21. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Prior year final		
Franked dividends - 5 cents per share (2008: 5 cents per share)	<u>49,741</u>	<u>49,616</u>
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	92,388	105,030
- Franking credits that will arise from the payment/(refund) of income tax payable/(refundable) at the end of the financial year	<u>(11,122)</u>	<u>(1,846)</u>
	<u>81,266</u>	<u>103,184</u>
The tax rate at which dividends have been franked is 30% (2008: 30%).		
22. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	<u>(135,311)</u>	<u>31,411</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>994,812</u>	<u>989,312</u>

**Notes to the Financial Statements
For the year ended 30 June 2009**

23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	<u>2009</u>	<u>2008</u>
	\$	\$
Cash assets	224,764	412,409
Receivables	204,044	167,777
	<u>428,808</u>	<u>580,186</u>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements
For the year ended 30 June 2009

23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2009					
Payables	101,844	(101,844)	(101,844)	-	-
	<u>101,844</u>	<u>(101,844)</u>	<u>(101,844)</u>	<u>-</u>	<u>-</u>
30 June 2008					
Payables	113,568	(113,568)	(113,568)	-	-
	<u>113,568</u>	<u>(113,568)</u>	<u>(113,568)</u>	<u>-</u>	<u>-</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<u>Carrying Amount</u>	
	2009	2008
	\$	\$
Fixed rate instruments		
Financial assets	150,000	200,000
Financial liabilities	-	-
	<u>150,000</u>	<u>200,000</u>
Variable rate instruments		
Financial assets	74,764	212,409
Financial liabilities	-	-
	<u>74,764</u>	<u>212,409</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained

Notes to the Financial Statements
For the year ended 30 June 2009

23. Financial risk management (continued)

(d) 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 year end.

(e) 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.

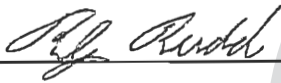
There were no changes in the Company's approach to capital management during the year.

Directors' Declaration

In accordance with a resolution of the directors of East Gosford & District Financial Services Limited, I 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 their performance for the year ending on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.



Robert Rudd, Chairman

Signed at East Gosford, New South Wales on 7 September 2009

Richmond Sinnott & Delahunty
Chartered Accountants



***INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF EAST GOSFORD & DISTRICTS
FINANCIAL SERVICES LIMITED***

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for East Gosford & Districts Financial Services Limited, for the year ended 30 June 2009.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of East Gosford & Districts Financial Services Limited is in accordance with:

- (a) 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunt

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. Sinnott

W. J. SINNOTT

Partner
Bendigo

Date: 7 September 2009

NOTES



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Franchisee: East Gosford & Districts Financial Services Ltd
101 Victoria St, East Gosford NSW 2250
Telephone: 02 4323 4559
Facsimilie: 02 4323 1499

BENDIGO AND ADELAIDE BANK LIMITED ABN 11 068 049 178