

Chairmans Report

It gives me much pleasure as your Chairman to present my third annual report on the affairs of your company, now in its seventh year of operation.

East Gosford & Lisarow branches again continue to perform strongly with combined banking business of \$105.8 million. This represents an increase of \$12.7 million or 12.8% over the previous year. Our trading result for the last financial year, after provision for income tax was a net profit of \$143,864 (2005: \$60,658) which represents a 136% increase over the previous year. Revenue increased from \$1.013 million in 2005 to \$1.188 million for 2006, which represents a 17% increase. This is an excellent result in view of the depressed local housing market.

We have now given in excess of \$70,000 to more than 30 community groups including sporting clubs, charitable organizations and community projects. We will continue to support these groups.

As stated in my previous newsletter, a 10.0 cent fully franked dividend was paid to shareholders for the 2005/2006 financial year. I am now happy to announce that the Board has approved a 6.0 cent fully franked dividend to be paid in November 2006.

Our third branch at Kincumber, opposite the Post Office, is now a reality and will open on Tuesday, 19th September 2006. The Hon. Jim Lloyd, Federal Member for Robertson, Minister for Local Government, Territories and Roads will officially open the branch.

We now employ 18 staff with the addition of Margaret Dufty at East Gosford, Terri Rutherford at Lisarow, Brenda Davis and Sharon Williams at Kincumber. On behalf of the Board and all existing staff, I would like to welcome all new staff to our company. Our Manager, Michael Bell has now become our Senior Manager. Julie Carrington, our Supervisor at East Gosford will be the Manager of that branch. Michelle Allard is the Supervisor at Lisarow while Siona Taylor will be Supervisor at Kincumber.

As previously, announced our sub-branch at Lisarow will soon be upgraded to a full Community Bank® branch. In the next two or three months we will be issuing a new prospectus to raise capital for the costs associated with this conversion and to provide capital for the Kincumber branch.

Again, on behalf of the Board, I thank you, our shareholders, for your support in helping to build a successful Community Bank® branch. I would also like to thank all Board members, our Manager and all staff for their continued hard work and commitment to the Community Bank® concept.

Bob Rudd
Chairman

Managers Report

Another financial year has passed and our branches continue to grow. Please see business break up for the performance of East Gosford and Lisarow as at the end of June 2006 and where our business sits.

East Gosford	Deposits	\$47,696,695	57.4%
	Lending	\$35,467,637	42.6%
		<u>\$83,164,332</u>	
Lisarow	Deposits	\$ 9,843,996	43.4%
	Lending	\$12,814,223	56.6%
		<u>\$22,658,219</u>	
Consolidated	Deposits	\$ 57,540,691	54.4%
	Lending	\$ 48,281,860	45.6%
		<u>\$105,822,551</u>	
Customers	East Gosford	5682	
	Lisarow	1355	
		<u>7037</u>	
Growth YTD	East Gosford	\$ 4,512,307	
	Lisarow	\$ 8,236,774	
		<u>\$12,749,081</u>	

The focus now is to continue our growth at both East Gosford and Lisarow and provide the community of Kincumber and surrounding districts with our unique style of banking and, as a result, continue to take the business forward.

Another thank you to the staff at both East Gosford and Lisarow for their efforts this year in making customer service our number one priority and ensuring customer satisfaction is achieved. Their attention to detail and commitment is what helps us to achieve the results that we have. Again, thank you also to the directors and board for their support and assistance during the past 12 months.

I am looking forward to another successful year, a new branch and a greater complement of staff to help us achieve our goals.

Michael Bell
MANAGER