

East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

Chairman's Report

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

Our three branches, East Gosford, Lisarow and Kincumber have continued to perform in line with expectations, with combined banking business, as at 30 June 2007, of \$120.9 million. This represents an increase of \$15.1 million or 14.3% over the previous year. Our trading result for the last financial year, after provision for income tax was a net loss of \$6,178 (2006 profit \$143,864). This small loss was mainly due the costs incurred in the opening of our third branch at Kincumber in September 2006. Salaries and employee benefit expenses increased from \$537,687 in 2006 to \$766,396 in 2007 due to increased staff levels. And revenue increased from \$1.188 million in 2006 to \$1.396 million in 2007, which represents an increase of 17.5%. This is again an excellent result in view of the continued depressed local housing market.

We have now given in excess of \$110,000 in sponsorships to over 55 community groups on the Central Coast including sporting clubs, charitable organisations and community projects.

In March 2006, a 4 cent fully franked dividend was paid to shareholders followed by 6 cents in November 2006. Shareholders have now received more than \$164,000 in dividends. I am now happy to announce that on 4 September 2007 the Board approved a 5 cent fully franked dividend to be paid on 14 November 2007 with a record date of 24 October 2007. Shares will go ex-dividend on 16 October 2007.

Investors should be aware that our second prospectus still remains open and copies are available at our three branches. For further information please call our East Gosford branch on (02) 4323 4559.

On 9 August 2007 Bendigo Bank announced that it intends to merge with Adelaide Bank. The new bank will have 1.3 million customers, more than 380 branches and will provide Bendigo Bank customers with access to additional branches and ATMs.

I would like to take this opportunity to congratulate our Senior Manager Michael Bell, and all staff for their dedication and commitment to the **Community Bank**[®] model. On behalf of the Board, I would like to welcome our new shareholders and thank all our shareholders for your support helping to build a successful **Community Bank**[®] branch network.

Special thanks again must go to all Directors for giving up their time to support the **Community Bank**[®] model.

Bob Rudd
Chairman

