

15th October 2009

MARKET ANNOUNCEMENT

The Board of Directors of East Gosford & Districts Financial Services Ltd wish to advise the release of Chairman & Senior Manager's report which accompanies financial report ended 30.6.09.

A copy of these financials is attached to this announcement.

Yours faithfully,



**Michael Bell
Senior Manager &
Company Secretary**

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East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

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