

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Directors' Report

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

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 (resigned 1 December 2009) Director Managing Director Albany International Limited
Kenneth George Howes Director Chartered Accountant	Garry Samuel Morris Director Financial Advisor
Colin Moran Director Small Business Owner	Mary Collins (appointed 25 August 2009) Director Retired Teacher and Property Investor
Clifford Lyle Innes (appointed 9 July 2010) Director Chartered Accountant	Theo Reginald Glover (appointed 25 August 2009) Director 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 \$23,624 (2009: (\$135,311)). 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

No dividends were declared or paid during the year.

Significant changes in the state of affairs

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.

East Gosford and Districts Financial Services Ltd
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Significant events after the balance date

On 1 September 2010 the Company paid a franchise fee of \$30,00 and an administration fee of \$183,350.

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 \$7,075 (2009: \$6,695) 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board Meetings #
Robert Geoffrey Rudd	10 (11)
Maxwell Robert Hiron	11 (11)
Brian Wilfred Lindbeck	8 (11)
Barry Kenneth McDonald (resigned 1 December 2009)	3 (5)
Kenneth George Howes	6 (11)
Garry Samuel Morris	9 (11)
Colin Moran	11 (11)
Mary Collins (appointed 25 August 2009)	7 (9)
Theo Reginald Glover (appointed 25 August 2009)	7 (9)
Clifford Lyle Innes (appointed 9 July 2010)	0 (0)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

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Directors' Report

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 and 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.

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 2010, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty
14 September 2010

Signed in accordance with a resolution of the Board of Directors at East Gosford, New South Wales on 14 September 2010.



Robert Rudd, Chairman

Richmond Sinnott & Delahunty

Chartered Accountants



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

14 September 2010

The Directors
East Gosford & Districts Financial Services Ltd
C/- Kelly & Partners Chartered Accountants
PO Box 3616
ERINA NSW 2250

Dear Directors

Auditor's Independence Declaration

In relation to our review of the financial report of East Gosford & Districts Financial Services Ltd for the year ended 30 June 2010, 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.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty

East Gosford and Districts Financial Services Ltd
 ABN 90 092 538 620
 Statement of Comprehensive Income
 For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenues from ordinary activities	2	1,767,568	1,501,044
Employee benefits expense	3	(1,020,056)	(989,306)
Charitable donations and sponsorship		(41,775)	(36,294)
Depreciation and amortisation expense	3	(90,591)	(91,350)
Administration & other expenses from ordinary activities		<u>(569,539)</u>	<u>(563,314)</u>
Profit/(loss) before income tax expense		45,607	(179,220)
Income tax expense/(benefit)	4	<u>21,983</u>	<u>(43,909)</u>
Profit/(loss) after income tax expense		23,624	(135,311)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>23,624</u></u>	<u><u>(135,311)</u></u>
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	2.37	(13.60)
- diluted for profit/(loss) for the year	22	2.37	(13.60)

The accompanying notes form part of these financial statements

East Gosford and Districts Financial Services Ltd
 ABN 90 092 538 620
 Statement of Financial Position
 As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	329,432	224,764
Current tax receivable	4	5,723	11,122
Receivables	7	195,509	204,044
Total Current Assets		<u>530,664</u>	<u>439,930</u>
Non-Current Assets			
Investments	8	17,961	500
Property, plant and equipment	9	248,186	274,299
Intangible assets	10	22,953	53,481
Deferred tax assets	4	21,326	43,309
Total Non-Current Assets		<u>310,426</u>	<u>371,589</u>
Total Assets		<u>841,090</u>	<u>811,519</u>
Current Liabilities			
Payables	11	90,478	101,844
Provisions	12	145,101	127,788
Total Current Liabilities		<u>235,579</u>	<u>229,632</u>
Total Liabilities		<u>235,579</u>	<u>229,632</u>
Net Assets		<u>605,511</u>	<u>581,887</u>
Equity			
Share capital	13	709,669	709,669
Retained earnings/(accumulated losses)	14	(104,158)	(127,782)
Total Equity		<u>605,511</u>	<u>581,887</u>

The accompanying notes form part of these financial statements

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,945,549	1,596,911
Cash payments in the course of operations		(1,802,420)	(1,726,788)
Interest received		7,551	17,661
Income tax paid/(refunded)		5,399	(8,676)
Net cash flows from/(used in) operating activities	15b	<u>156,079</u>	<u>(120,892)</u>
Cash Flows From Investing Activities			
Purchase of investments		(17,461)	-
Purchase of property, plant and equipment		(24,050)	(8,212)
Purchase of intangible assets		(9,900)	(8,800)
Net cash flows from/(used in) investing activities		<u>(51,411)</u>	<u>(17,012)</u>
Cash Flows From Financing Activities			
Dividends paid		-	(49,741)
Net cash flows from/(used in) financing activities		<u>-</u>	<u>(49,741)</u>
Net increase/(decrease) in cash held		104,668	(187,645)
Cash and cash equivalents at start of year		224,764	412,409
Cash and cash equivalents at end of year	15a	<u>329,432</u>	<u>224,764</u>

The accompanying notes form part of these financial statements

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Statement of Changes in Equity
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		709,669	709,669
Issue of share capital		-	-
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		(127,782)	57,270
Profit/(loss) after income tax expense		23,624	(135,311)
Dividends paid or proposed	21	<u>-</u>	<u>(49,741)</u>
Balance at end of year		<u><u>(104,158)</u></u>	<u><u>(127,782)</u></u>

The accompanying notes form part of these financial statements

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

East Gosford & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 14 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

East Gosford and Districts Financial Services Ltd
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Notes to the Financial Statements
for the year ended 30 June 2010

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.

East Gosford and Districts Financial Services Ltd

ABN 90 092 538 620

Notes to the Financial Statements

for the year ended 30 June 2010

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 Statement of Financial Position. 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 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 reporting 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 statement of cash flows, 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).

Investments

Investments are recorded at cost.

East Gosford and Districts Financial Services Ltd
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Notes to the Financial Statements
for the year ended 30 June 2010

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.

Loans and Borrowings

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.

Share 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

	2010	2009
	\$	\$
Operating activities:		
- other revenue	1,722,539	1,483,383
Total revenue from operating activities	<u>1,722,539</u>	<u>1,483,383</u>
Non-operating activities:		
- interest revenue	7,551	17,661
- other revenue	37,478	-
Total revenue from non-operating activities	<u>45,029</u>	<u>17,661</u>
Total revenues from ordinary activities	<u><u>1,767,568</u></u>	<u><u>1,501,044</u></u>

East Gosford and Districts Financial Services Ltd
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Notes to the Financial Statements
for the year ended 30 June 2010

3. Expenses	2010	2009
	\$	\$
Employee benefits expense		
- wages and salaries	903,309	883,282
- superannuation costs	78,883	77,307
- workers' compensation costs	3,055	2,416
- other costs	34,809	26,301
	<u>1,020,056</u>	<u>989,306</u>
 Depreciation of non-current assets:		
- plant and equipment	50,163	48,134
 Amortisation of non-current assets:		
- intangibles	40,428	43,216
	<u>90,591</u>	<u>91,350</u>
 Bad debts	2,614	7,572
 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%	13,798	(53,766)
Add tax effect of:		
- Non-deductible expenses	8,185	10,457
- Prior year under/(over) provision	-	(600)
<i>Current income tax expense</i>	<u>21,983</u>	<u>(43,909)</u>
Income tax expense	<u>21,983</u>	<u>(43,909)</u>
 Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	21,326	43,309
	<u>21,326</u>	<u>43,309</u>
 Tax liabilities		
Current tax payable/(receivable)	<u>(5,723)</u>	<u>(11,122)</u>
 5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,650
	<u>3,900</u>	<u>3,650</u>

East Gosford and Districts Financial Services Ltd
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 Notes to the Financial Statements
 for the year ended 30 June 2010

	2010	2009
	\$	\$
6. Cash and Cash Equivalents		
Cash on hand	600	600
Cash at bank	178,832	74,164
Cash deposits at bank	150,000	150,000
	<u>329,432</u>	<u>224,764</u>
7. Receivables		
Trade debtors	170,641	146,016
Other debtors	11,930	21,275
Prepaid expenses	12,938	36,753
	<u>195,509</u>	<u>204,044</u>
8. Investments		
Shares in Public Companies	<u>17,961</u>	<u>500</u>
9. Property, Plant and Equipment		
<i>Plant and equipment</i>		
At cost	604,140	580,090
Less accumulated depreciation	(358,744)	(309,231)
Total written down amount	<u>245,396</u>	<u>270,859</u>
<i>Computer software</i>		
At cost	5,000	5,000
Less accumulated depreciation	(2,210)	(1,560)
Total written down amount	<u>2,790</u>	<u>3,440</u>
Total Property, Plant & Equipment	<u>248,186</u>	<u>274,299</u>
Movements in carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	270,859	310,131
Additions	24,050	8,212
Disposals	-	-
Depreciation expense	(49,513)	(47,484)
Carrying amount at end of year	<u>245,396</u>	<u>270,859</u>
<i>Computer software</i>		
Carrying amount at beginning of year	3,440	4,090
Additions	-	-
Disposals	-	-
Depreciation expense	(650)	(650)
Carrying amount at end of year	<u>2,790</u>	<u>3,440</u>

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Notes to the Financial Statements
for the year ended 30 June 2010

	2010	2009
	\$	\$
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	67,000	67,000
Less accumulated amortisation	<u>(66,014)</u>	<u>(62,010)</u>
	<u>986</u>	<u>4,990</u>
 <i>Training Fee & Startup Assistance</i>		
At cost	247,444	237,544
Less accumulated amortisation	<u>(225,477)</u>	<u>(189,053)</u>
	<u>21,967</u>	<u>48,491</u>
 Total Intangible Assets	 <u><u>22,953</u></u>	 <u><u>53,481</u></u>
 11. Payables		
Trade creditors	23,498	49,719
Other creditors and accruals	<u>66,980</u>	<u>52,125</u>
	<u><u>90,478</u></u>	<u><u>101,844</u></u>
 12. Provisions		
Employee benefits	<u>145,101</u>	<u>127,788</u>
 13. Share Capital		
760,008 Ordinary Shares fully paid of \$1 each	760,008	760,008
234,804 Bonus Shares*	-	-
Less preliminary expenses	<u>(50,339)</u>	<u>(50,339)</u>
	<u><u>709,669</u></u>	<u><u>709,669</u></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	(127,782)	57,270
Profit/(loss) after income tax	23,624	(135,311)
Dividends paid or proposed	-	(49,741)
Balance at the end of the financial year	<u><u>(104,158)</u></u>	<u><u>(127,782)</u></u>

East Gosford and Districts Financial Services Ltd

ABN 90 092 538 620

**Notes to the Financial Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
15. Statement of Cash Flows		
<i>(a) Cash and cash equivalents</i>		
Cash assets	<u>329,432</u>	<u>224,764</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	23,624	(135,311)
Non cash items		
- Depreciation	50,163	48,134
- Amortisation	40,428	43,216
Changes in assets and liabilities		
- (Increase) decrease in receivables	8,535	(36,267)
- Increase (decrease) in payables	(11,366)	(11,724)
- Increase (decrease) in provisions	17,313	23,645
- (Increase) decrease in deferred tax asset	21,983	(43,309)
- (Increase) decrease in current tax receivable	5,399	(9,276)
Net cashflows from/(used in) operating activities	<u>156,079</u>	<u>(120,892)</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 (resigned 1 December 2009)
 Kenneth George Howes
 Garry Samuel Morris
 Colin Moran
 Mary Collins (appointed 25 August 2009)
 Theo Reginald Glover (appointed 25 August 2009)
 Clifford Lyle Innes (appointed 9 July 2010)

During the year Brian Lindbeck received \$7,075 (2009: \$6,695) 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.

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
Notes to the Financial Statements
for the year ended 30 June 2010

16. Directors and Related Party Disclosures (continued)

Directors shareholdings	2010	2009
Robert Geoffrey Rudd	4,502	4,502
Maxwell Robert Hiron	2,502	2,502
Brian Wilfred Lindbeck	4,502	4,502
Barry Kenneth McDonald (resigned 1 December 2009)	3,000	3,000
Kenneth George Howes	1,502	1,502
Garry Samuel Morris	2,250	750
Colin Moran	10,000	10,000
Mary Collins (appointed 25 August 2009)	3,750	3,750
Theo Reginald Glover (appointed 25 August 2009)	-	-
Clifford Lyle Innes (appointed 9 July 2010)	-	-

Garry Morris purchased 1,500 shares during the year. There was no other 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

On 1 September 2010 the Company paid a franchise fee of \$30,00 and an administration fee of \$183,350.

There have been no other 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 the Central Coast, NSW.

20. Corporate Information

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

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

East Gosford and Districts Financial Services Ltd
 ABN 90 092 538 620
 Notes to the Financial Statements
 for the year ended 30 June 2010

	2010	2009
	\$	\$
21. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Prior year final		
Franked dividends - nil cents per share (2009: 5 cents per share)	-	49,741
	<u> </u>	<u> </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	87,377	92,388
- Franking credits that will arise from the payment/(refund) of income tax payable/(refundable) at the end of the financial year	<u>(5,723)</u>	<u>(11,122)</u>
	<u>81,654</u>	<u>81,266</u>

The tax rate at which dividends were franked in 2009 was 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>23,624</u>	<u>(135,311)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>994,812</u>	<u>994,812</u>

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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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying Amount	
	2010	2009
	\$	\$
Cash assets	329,432	224,764
Receivables	195,509	204,044
Investments	17,961	500
	542,902	429,308

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

None of the assets of the Company are past due (2009: 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.

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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 2010					
Payables	90,478	(90,478)	(90,478)	-	-
	<u>90,478</u>	<u>(90,478)</u>	<u>(90,478)</u>	<u>-</u>	<u>-</u>
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>

(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>	
	2010 \$	2009 \$
Fixed rate instruments		
Financial assets	150,000	150,000
Financial liabilities	-	-
	<u>150,000</u>	<u>150,000</u>
Variable rate instruments		
Financial assets	179,432	74,764
Financial liabilities	-	-
	<u>179,432</u>	<u>74,764</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 earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

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Notes to the Financial Statements
For the year ended 30 June 2010

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 Statement of Financial Position. 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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

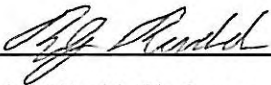
There were no changes in the Company's approach to capital management during the year.

East Gosford and Districts Financial Services Ltd
ABN 90 092 538 620
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 2010 and of their performance for the year ended 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 ending 30 June 2010.



Robert Rudd, Chairman

Signed at East Gosford, New South Wales on 14 September 2010

Richmond Sinnott & Delahunty

Chartered Accountants



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

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for East Gosford & Districts Financial Services Ltd, for the year ended 30 June 2010.

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 consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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 Ltd 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 2010 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 & DELAHUNTY

Chartered Accountants



Philip Delahunty

Partner

Bendigo

Date: 14 September 2010