

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Chairman's Report

Introduction and General Overview

As Chairman of the Board, I am pleased to report that having now completed our first full financial years trading (to the 30th June 2006) the Ettalong Beach Community Bank – Bendigo Bank has continued to grow over this period.

You will recall from the last Annual Report that on the 8th September 2005 the branch had topped the \$10,000,000.00 mark in aggregated banking business (principally deposits and loans). I am now pleased to report that on the 25th August 2006 the aggregated banking business reached the \$20,000,000.00 mark with this target now firmly established.

This milestone was reached in just under 17 months of trading and is a testament to the commitment of the staff and the support of the local community.

Now that the “once only” set up costs of the branch and the initial training of staff is behind us, we are confident that based on the current growth in the business, monthly profitability can be achieved by the end of the current financial year (30 June 2007) or shortly thereafter.

When a full years profit is achieved, the payment of dividends to shareholders and financial contributions to local community organizations and projects can be considered.

Here lies the essential difference between the concept of community banking (as developed by the Bendigo Bank) and the mainstream banks. Community banking ensures that the dividends stay with the local shareholders. The community also benefits from the contributions/donations made by the branch. By comparison, the mainstream banks result in all profit leaving the local area where it was made. These profits are distributed to shareholders around the world. By supporting our Bank, the Ettalong Beach Community Bank - Bendigo Bank, you are supporting and building your local community.

Financial Statements

The financial statements of Ettalong Beach Financial Services Ltd trading as Ettalong Beach Community Bank – Bendigo Bank for the financial year to the 30th June 2006 appear later in this 2nd Annual Report. As mentioned earlier, this was our first full financial year of trading and, as anticipated in the Prospectus, the statements show a loss for the year. However, once the figures for a full years trading were available, we were then able to recast the budget for the financial year commencing the 1st July 2006. A full 12 months of actual trading figures gives a much more realistic basis for setting the budget. The revised budget commenced from the 1st July 2006. Since then, we have surpassed the Budget figures in respect of the Net Income figures every month from July 2006 to September 2006.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Board of Directors

The running of the Company rests in the hands of your Board of Directors. With a wide and diverse range of talents represented on the Board, you can be assured that all issues are debated with great enthusiasm.

As expected with an evolving Board, there were a number of retirements during the financial year to the 30th June 2006 including Lyn Berry, John Byfield and Ronald Sinclair. The current Directors warmly thank them for their valuable contribution. More recently, Don Leggett and Peter Hale, both of whom have a wealth of knowledge, have also retired from the Board. We will miss their contribution to the Company. Fortunately, their places have been filled by Alan Gleeson, who has an accounting background with involvement in small business and property development and Mick Gage, a retired banker with many years experience in branch banking. The return of Debra Wales who was the driving force behind the initial steering committee. Her valuable and selfless contribution to the Peninsula and Ettalong Beach in particular is too lengthy to describe. We are also fortunate to welcome Sue Fowler onto the Board. Sue has extensive expertise in marketing and is a long term resident of the Peninsula. These positions are subject to ratification by the shareholders at the AGM.

I sincerely thank my fellow Directors for their continued support. Each has their own skills, expertise and experience which ensures a high level of diligence in the affairs of the Company. Together we form a cohesive and hard working Board whose objectives are to ensure the interests of the Shareholders and to work for the betterment of our local community.

Profitable Trading

One of the most important aspects of profitable trading is the cost-to-income ratio. We are constantly examining ways to reduce costs and are ever vigilant in our endeavour to contain expenses.

Prior to the recent increases in interest rates, property values were increasing which was reflected in a strong demand for loans. Our lending approvals last financial year rose steadily.

Whilst we face competitive pressures within the banking industry (especially in regard to interest margins) the strength of the Bendigo Bank name and the fact that we are still the only major bank in Ettalong Beach have worked in our favour.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Staff

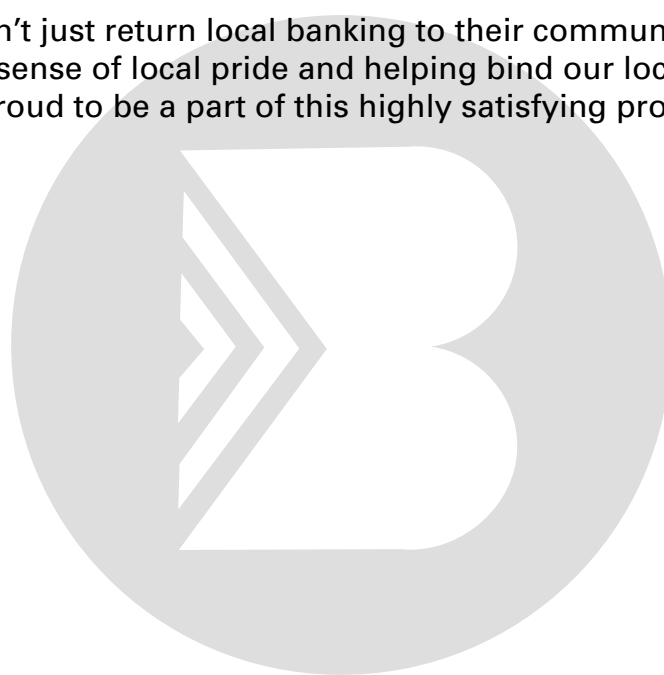
We are extremely fortunate to have a core group of extremely capable employees led by our Manager, Casie Brewis and Senior staff/supervisors Maree Richardson and Kym Kelleher.

Our staff are our greatest asset and I thank them for their commitment and congratulate them on their fine achievements of the past 19 months. We are confident that we will continue to win new business as a result of our high quality staff and the exemplary service they provide. In terms of reputation and customer satisfaction, we are up with the best.

A happy, contented and focused staff is perhaps the single greatest asset we have in executing our customer and community focused strategy.

Community Banks don't just return local banking to their communities; they are creating local jobs, instilling a sense of local pride and helping bind our local community. All of us on the Board are proud to be a part of this highly satisfying process.

David Steele
Chairman



Managers Report

As Manager of our Community Bank Branch Bendigo Bank, I am pleased to report that we have been successfully trading for nearly 20 months. The last 12 months have seen over 1000 new accounts opened with nearly \$14 million worth of business funds obtained.

Our business levels continue to grow, customer numbers continue to increase and our status within our community strengthens daily. We provide good "old fashioned" service so as to ensure our customers needs are met.

We are highly focused on achieving profitability for the shareholders whilst delivering the best possible banking service to the local community. I am proud of our staff who are focused and committed to deliver quality customer service. This is a team effort which enjoys the valuable support of the Board of Directors.

Importantly for our branch, we actively support our local schools, sporting clubs and community groups. It is intended to continue and expand this involvement as we near profitability. As a result of this support, the local community has responded with many becoming valuable members of the bank. Over time this becomes a self sustaining process that entrenches the bank in the local community.

The last 12 months has also seen an increase in banking competition. This is partly due to a tightening of the property market and increasing interest rates. It is also due to the impact of the Community Bank Branch Bendigo Bank on other mainstream banks who have come to appreciate the strength of our commitment.

As we move forward competition will remain strong. We are fortunate that the local community has come to understand our high values, recognize the support we give to the community and appreciate our high level of service. These assets will ensure continued business growth.

I would like to extend my warm thanks to all our customers, community groups and shareholders who have supported us this year. My job has been made easier by the dedicated and professional staff within the branch.

A special thanks to the Board of Directors who give their time freely so that our Community Bank Branch moves forward and continues to be successful.

My thanks to my hard working staff who have worked very hard this year to ensure ever increasing levels of business whilst providing the best possible service on the Peninsula. Thank you to Maree, Kym, Tamara, Jenny, Daniel and Sarah. All of us look forward to securing a prosperous future for our community with your continued support. We have no doubts that we will be celebrating further success with the community, shareholders and customers in 2007.

Casandra Brewis
Branch Manager.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2006.

Director	Position	Service	Meetings	
			Eligible	Attended
David Steele <i>Retired Solicitor</i>	Chairman	16/07/04 to 30/06/06	14	11
Brian Wright <i>Retired</i>	Secretary	16/07/04 to 30/06/06	14	14
Peter Mote <i>Management & Business Consultant</i>	Treasurer	16/07/04 to 30/06/06	14	12
Simon Delia Vedova <i>Optometrist, Partner in Bay Optical</i>	Director	16/07/04 to 30/06/06	14	12
Matthew Wales <i>Director of Wales and Assoc, Urban Design and Development</i>	Director	16/07/04 to 30/06/06	14	13
Peter Hale <i>General Manager, Ettalong Beach Memorial Club</i>	Director (Resigned)	16/07/04 to 22/06/06	14	7
Donald Leggett <i>Company Director</i>	Director (Resigned)	16/07/04 to 25/05/06	11	9
Lynn Berry <i>Speech Technology Specialist</i>	Director (Resigned)	16/07/04 to 24/11/05	7	5
John Byfield <i>Retired</i>	Director (Resigned)	16/07/04 to 18/08/05	3	0

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

Company Secretary

The company secretary is Brian Wright. Brian was appointed to the position of secretary on 16th July 2004.

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 the Bendigo Bank Limited.

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

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Operating Results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year was:

Year ended 30 June 2006	Year ended 30 June 2005
\$ (246,098)	\$ (162,285)

As the company has incurred losses no provision for income tax has been made. Also no provision has been made for any future tax benefits that may accrue to the company when these losses are offset against future profits. The directors have decided that it is not prudent to show any benefit until they can be sure profits will be earned.

Remuneration Report

(a) Remuneration of Directors

All Directors of the company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

The company aims to provide market-competitive compensation by offering a package of fixed pay benefits. There were no added incentives in place as at 30th June 2006.

Details of Remuneration

C. Brewis Within a range of \$60,000 to \$80,000

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 or the financial report.

Matters subsequent to the end of the financial year

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.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Likely Developments

The company will continue its policy of providing banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No 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. The premium paid in respect to this policy is \$4,922.50.

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.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Ettalong Beach Financial Services Limited

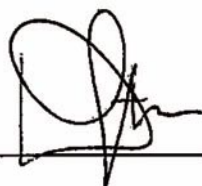
ABN 37 110 059 120

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- a) all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor; and
- b) none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at Point Clare on the of 12th September 2006.



David Steele, Chairman



Peter Mote, Director

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Auditor Independence Declaration

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



PO Box 454
Bendigo VIC 3552

61-65 Bull Street
Bendigo VIC 3550

Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ettalong Beach Financial Services Limited.

As lead auditor for the review of the financial statements of Ettalong Beach Financial Services Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo VIC3550

Dated: 13 September 2006

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

Income Statement for the year ended 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Revenues from continuing operations	3	180,376	28,581
Salaries and employee benefits expense		(229,177)	(73,792)
Advertising and promotion expense		(13,896)	(1,754)
Occupancy and associated costs		(35,000)	(3,550)
Depreciation and amortisation expense	4	(34,333)	(6,186)
General administration expenses		<u>(114,068)</u>	<u>(105,584)</u>
Loss from ordinary activities before income tax expense/credit		(246,098)	(162,285)
Income tax expense/credit	5	<u>-</u>	<u>-</u>
Loss from ordinary activities after income tax expense/credit		<u>(246,098)</u>	<u>(162,285)</u>
Loss attributable to members of Ettalong Beach Financial Services Limited		<u><u>(246,098)</u></u>	<u><u>(162,285)</u></u>
Earnings per share (cents per share)			
- basic for profit for the year		(0.33)	(0.22)
- diluted for loss for the year		(0.33)	(0.22)

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

Balance Sheet as at 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Current Assests			
Cash assets	6	27,161	280,707
Trade and other receivables	7	15,067	26,054
Total Current Assests		42,229	306,761
Non-Current Assests			
Property, plant and equipment	8	256,172	219,943
Intangibles	9	45,000	57,000
Total Non-Current Assests		301,172	276,943
Total Assests		343,400	583,704
Current Liabilities			
Trade and other payables	10	17,493	23,441
Provisions	11	12,185	10,443
Total Current Liabilities		29,678	33,884
Total Liabilities		29,678	33,884
Net Assets		313,722	549,820
Equity			
Contributed equity	12	722,104	712,105
Accumulated losses	13	(408,383)	(162,285)
Total Equity		313,722	549,820

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

Statement of Changes in Equity for the year ended 30 June 2006

	2006 \$	2005 \$
Total equity at the beginning of the financial year	549,820	-
Net loss for the year	(246,098)	(162,285)
Shares issued during period	10,000	712,105
Total equity at the end of the financial year	<u>313,722</u>	<u>549,820</u>



Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

Statement of Cashflows for the year ended 30 June 2006

	<u>Notes</u>	2006 \$	2005 \$
Cash flows from Operating Activities			
Cash received from customers		170,150	27,163
Cash paid to suppliers and employees		(385,360)	(176,850)
Interest received		10,226	1,418
Net outflows from Operating Activities	14(b)	<u>(204,984)</u>	<u>(148,269)</u>
Cash Flows from Investing Activities			
Payment for intangible assets		-	(60,000)
Payments for property plant and equipment		(58,562)	(223,129)
Net Cash Outflows from Investing Activities		<u>58,562</u>	<u>283,129</u>
Cash Flows from Financing Activities			
Proceeds of share issues		10,000	746,711
Payment of share issues costs		-	(34,606)
Net Cash Inflows from Financing Activities		<u>10,000</u>	<u>712,105</u>
Net Increase/(Decrease) in Cash Held		(253,546)	280,707
Cash at the beginning of the financial year		280,707	-
Cash at the end of the financial year	14(a)	<u>27,161</u>	<u>280,707</u>

Financial Statements as at 30 June 2006

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs 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.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Ettalong Beach Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

The Financial Statements of Ettalong Beach Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Ettalong Beach Community Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 19.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Financial Statements as at 30 June 2006

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Financial Statements as at 30 June 2006

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 for 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.

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 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 operation cash flows.

Employee entitlements

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

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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.

Financial Statements as at 30 June 2006

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- | | |
|--------------------------|----------------|
| - leasehold improvements | 40 years |
| - plant and equipment | 2.5 - 40 years |
| - furniture and fittings | 4 - 40 years |

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Financial Statements as at 30 June 2006

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

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.

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.

Financial Statements as at 30 June 2006

2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market Risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

3. Revenue from Ordinary Activities

	2006	2005
	\$	\$
Operating activities:		
- Margin income	99,784	6,885
- Services commissions	29,020	2,237
- Other revenue	41,345	2,541
Total revenues from operating activities	<u>170,150</u>	<u>11,663</u>
Non-operating activities:		
- Interest received	10,226	1,418
- Other	-	15,500
Total revenues from non-operating activities	<u>10,226</u>	<u>16,918</u>
Total revenues from ordinary activities	<u>180,376</u>	<u>28,581</u>

4. Expenses

Depreciation of non-current assets:		
- Plant and equipment	9,432	832
- Leasehold improvements	12,901	2,354
Amortisation of non-current assets:		
- Franchise agreement	12,000	3,000
	<u>34,333</u>	<u>6,186</u>

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

5. Income Tax Expense

2006	2005
\$	\$

The prima facie tax on loss from continuing operations before income tax is reconciled to the income tax expense as follows:

Operating loss	(246,098)	(162,285)
Prima facie tax on loss from continuing operations at 30%	(73,829)	(48,686)
Add tax effect of:		
- Non-deductible expenses	2,106	(900)
Tax losses not brought to account	(71,723)	(49,586)
Income tax expense on operating loss	<u>-</u>	<u>-</u>
Deferred tax asset carried forward	<u>121,309</u>	<u>49,586</u>

The deferred tax asset arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as probable.

6. Cash Assets

Cash at bank and on hand	<u>27,161</u>	<u>280,707</u>
	<u>27,161</u>	<u>280,707</u>

7. Trade and Other Receivables

Trade receivables	14,269	446
Prepayments	<u>798</u>	<u>25,608</u>
	<u>15,067</u>	<u>26,054</u>

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

8. Property, Plant and Equipment

	2006	2005
	\$	\$
<i>Plant and equipment</i>		
At Cost	83,083	38,305
Less accumulated depreciation	(10,264)	(832)
	<u>72,819</u>	<u>37,473</u>
<i>Leasehold improvements</i>		
At cost	198,608	184,824
Less accumulated depreciation	(15,255)	(2,354)
	<u>183,353</u>	<u>182,470</u>
Total written down amount	<u>256,172</u>	<u>219,943</u>

Movements in carrying amounts:

<i>Plant and equipment</i>		
Carrying amount at beginning	38,305	-
Additions	44,778	38,305
Less depreciation expense	(10,264)	(832)
Carrying amount at end	<u>72,819</u>	<u>37,473</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	184,824	-
Additions	13,784	184,824
Less depreciation expense	(15,255)	(2,354)
Carrying amount at end	<u>183,353</u>	<u>182,470</u>
Total written down amount	<u>256,172</u>	<u>219,943</u>

9. Intangible Assets

<i>Franchise Fee</i>		
At cost	60,000	60,000
Less accumulated amortisation	(15,000)	(3,000)
	<u>45,000</u>	<u>57,000</u>

10. Trade and Other Payables

Trade Creditors	4,742	13,441
Other creditors & accruals	<u>12,751</u>	<u>10,000</u>
	<u>17,493</u>	<u>23,441</u>

11. Provisions

Employees provisions	<u>12,185</u>	<u>10,443</u>
Number of employees at year end	<u>7</u>	<u>5</u>

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

12. Contributed Equity

	2006 \$	2005 \$
756,711 Ordinary shares fully paid of \$1 each (2005: 746,711)	756,711	746,711
Less equity raising expenses	<u>(34,607)</u>	<u>(34,606)</u>
	<u>722,104</u>	<u>712,105</u>

13. Accumulated Losses

Balance at the beginning of the financial year	(162,285)	-
Net loss from ordinary activities after income tax	(246,231)	(162,285)
Balance at the end of the financial year	<u>(408,516)</u>	<u>(162,285)</u>

14. Statement of Cashflows

(a) Reconciliation of cash

Cash at bank and on hand	27,161	280,807
	<u>27,161</u>	<u>280,807</u>

(b) Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(246,098)	(162,285)
Non cash items:		
- Depreciation	22,333	3,186
- Amortisation	12,000	3,000
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	10,958	(26,054)
- Increase/(decrease) in payables	(4,177)	33,884
Net cashflows used in operating activities	<u>(204,984)</u>	<u>(148,269)</u>

15. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- Audit & review services	3,500	2,000
- Other services in relation to the company	-	3,140
	<u>3,500</u>	<u>5,140</u>

Financial Statements as at 30 June 2006

16. Director and Related Party Disclosures

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

Lynn Maree Berry
John Ernest Byfield
Peter John Hale
Donald Ernset Leggett
Peter John Fordham Mote
David George Steele
Simon Delia Vedova
Matthew Donald Wales
Brian George Wright

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.

Directors shareholdings

	2006	2005
Lynn Maree Berry	1,001	1,001
John Ernest Byfield	501	501
Peter John Hale	501	501
Donald Ernset Leggett	5,001	5,001
Peter John Fordham Mote	5,001	5,001
David George Steele	1,001	1,001
Simon Delia Vedova	3,001	3,001
Matthew Donald Wales	5,001	5,001
Brian George Wright	1,001	1,001

There was no movement in directors shareholdings during the year. Each share held is valued at \$1 and is fully paid.

17. Key management personnel disclosures

(a) Remuneration of Directors

No Director of the company receives remuneration for services as a company director or Committee member.

All Directors of the company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

The company aims to provide market-competitive compensation by offering a package of fixed pay benefits. There were no added incentives in place as at 30th June 2006.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

Details of Remuneration

C. Brewis Within a range of \$60,000 to \$80,000

18. Earnings per Share

	C	C
Earnings/(Losses) per share for the financial year were:	(0.33)	(0.22)

19. Reconciliation and Equity Reported under Previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the Income Statement

Nil

Impact on the Balance Sheet

Nil

20. Subsequent Events

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

21. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

22. 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 Ettalong Beach, NSW.

23. Registered office/Principal place of business

The registered office and principal place of business is: 263 - 267 Oceanview Road, Ettalong Beach, NSW.

Financial Statements as at 30 June 2006

24. Financial Instruments

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 the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered in

Interest Rate Risk

Financial instrument	Floating interest rate	Fixed interest rate maturing in						Non interest bearing	Weighted average Effective interest rate		
		1 year or less		Over 1 to 5 years		Over 5 years					
		2006	2005	2006	2005	2006	2005				
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets											
Cash assets	26,692	-	-	-	-	-	-	477	463	0.05	0.05
Receivables	-	-	-	-	-	-	-	15,067	26,054	N/A	N/A
Financial liabilities											
Payables	-	-	-	-	-	-	-	17,493	23,441	N/A	N/A

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

Financial Statements as at 30 June 2006

I, Peter Mote, Company Director and Treasurer, and Casandra Brewis, Chief Executive Officer and Branch Manager, hereby declare to the Board of Directors that in our opinion

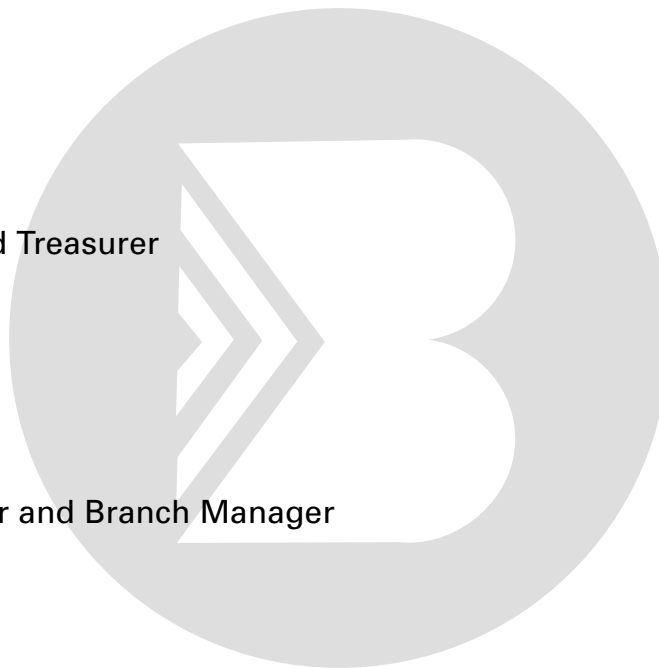
1. The financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act 2001.
2. The financial statements for the Company for the year ended 30th June, 2006 Comply with the Accounting Standards.
3. The financial statements and notes of the Company for the year ended 30th June, 2006 give a true and fair view of the position of the Company and the financial performance of the Company.



Peter Mote
Company Director and Treasurer



Casandra Brewis
Chief Executive Officer and Branch Manager



Financial Statements as at 30 June 2006

Directors' Declaration

In accordance with a resolution of the directors of Ettalong Beach Financial Services Limited, we 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 2006 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'D Steele', written over a horizontal line.

David Steele, Chairman

A handwritten signature in black ink, appearing to be 'Peter Mote', written over a horizontal line.

Peter Mote, Director

Signed on the 12th of September 2006.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120



PO Box 454
Bendigo VIC 3552

61-65 Bull Street
Bendigo VIC 3550

Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Independant Audit Report

To the members of Ettalong Beach Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Ettalong Beach Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

Ettalong Beach Financial Services Limited

ABN 37 110 059 120

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting 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.

Is over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

1. The financial report of Ettalong Beach Financial Services Limited is 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 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations; and

2. The compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.



DAVID HUTCHINGS

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550

Dated this 13th day of September 2006

Notes



Notes

