



# 2007 annual report

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# Chairman's report

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## For year ending 30 June 2007

As was the case for our first and second Annual Reports, the Ettalong Beach **Community Bank**<sup>®</sup> Branch of Bendigo Bank continues to grow.

As at 30 June 2007 we had been in operation for just over two years.

Throughout this period we have enjoyed a steady increase in trading to a position where the business on the books as at 30 June 2007 was over \$25 million dollars (made up primarily by loans and deposit funds).

Comparing the figures for the financial year ended 30 June 2007 with those for the previous financial year ended 30 June 2006, there has been a significant increase in income and a reduction in expenditure.

We are confident that this trend will continue and, hopefully, even accelerate as people come to realise that our **Community Bank**<sup>®</sup> branch concept is here to stay.

Whilst we have yet to reach break even point where our income exceeds our expenses, the gap is narrowing. Until this occurs we have to continue to meet the shortfall which has been provided by way of overdraft from Bendigo Bank.

The expense associated with the initial setting up of the Ettalong Beach **Community Bank**<sup>®</sup> Branch, including the fit out of the branch premises and staff training costs, are now behind us.

Once we reach a position of positive cash flow we will see a flow on of benefits to the local community, both in the payment of dividends to our loyal shareholders and, just as importantly, a distribution of a percentage of the profits to local community based organisations and projects.

As you were recently advised, The Boards of Bendigo Bank and Adelaide Bank recently announced their intention to merge. There are a number of advantages in bringing these two strongly performing Australian companies together. But most importantly for your and for our community, this merger secures the unique Bendigo style of banking, including the **Community Bank**<sup>®</sup> model. Under the merged group, the unique **Community Bank**<sup>®</sup> model will continue to grow and prosper, and new Company-owned and **Community Bank**<sup>®</sup> branches will continue to open. The merger is still subject to Adelaide shareholder approval, in November, as well as a number of regulatory and court approvals and other conditions.

We are now seeing the results of the groundwork laid by our Branch Manager Casandra Brewis and her team during the first two years of trading. With the recent appointment of Julie Hughes to the full-time position of Customer Relations Officer, Casie can now pass on some of the time consuming loan application procedures. This has enabled her to spend more time following up the many leads she has generated within the local business community and the local community in general.

We are also fortunate to have the services of Supervisors Kym and Maree who have been involved in the banking business most of their working lives. Both have been with the Ettalong Beach **Community Bank**<sup>®</sup> Branch from the beginning. Ablely supported by our team of Customer Services Officers Tamara, Jenny, Norma and Rachael, we now have an efficient and well balanced staff.

## Chairman's report continued

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The Board of Directors has undergone some changes since the last Annual Report. The appointment of Chartered Accountant Don Wilson to the Board as a Director and, subsequently as Treasurer has been of great benefit. His experience and expertise, together with his enthusiasm has been greatly welcomed, especially by Brian Wright, our long serving Secretary.

The untold hours spent by Brian in carrying out the secretarial duties singles him out for special mention. Without his dedication and diligence we would be struggling to keep up with the requirements of running a bank branch.

My thanks go to the other members of the Board for giving freely of their time and expertise.

With the ongoing support from the local community and the continued growth of the business, Ettalong Beach **Community Bank**® Branch looks promising.

A handwritten signature in black ink, appearing to read 'David Steele', with a stylized flourish at the end.

**David Steele**  
**Chairman**

# Manager's report

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For year ending 30 June 2007

Our second year of trading showed a steady and continual growth on all fronts. We currently open in excess of 60 new accounts per month with a broad customer base ranging from as far Mudgeeraba in QLD, and other regional areas like Taree.

While business levels grow we reached two milestones - the opening of our 2000th account and reaching \$25 million in banking business at 30th June 2007. At the time of writing (September) our book growth has reached \$32 million. This consistency of growth shows that not only has the community adopted the **Community Bank®** concept, but our branch can deliver superior service levels, which is what our customers want.

As a result of our continual growth, and in order to maintain these levels, we have changed made alterations to branch positions and responsibilities to meet the demand of the ever-changing financial services market. I would like to welcome to the position of Customer Relationship Officer (full-time) Julie Hughes. I would like to thank my job-share Supervisors for their continued support to myself the Board and the community, Kym and Maree. Our four part-time Customer Service Officers who always deliver personal and professional service Tamara, Jenny, Norma and Rachael.

The staff would also like to thank the Board, shareholders and customers for their continued support and promotion of the branch.

We are all striving to ensure that Ettalong Beach **Community Bank®** Branch is successful, looking forward to contributing to the community by way of returning profits back into the community.

The oncoming year will see great challenges, as we continue to grow.

We encourage you all to assist in the promotion of your **Community Bank®** Branch, please help us to help you by banking locally – everybody benefits.



**Casandra Brewis**  
**Branch Mnnager**

# Directors' report

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For year ending 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year:

### David Steele

Chairman

Age : 54

Retired Solicitor

27 years Private Practise, including 25 years at Woy Woy as a commercial legal specialist

Holder of 1001 shares,

### Brian Wright

Company Secretary

Age : 60

Retired Banker

38 years experience in banking, specializing in Treasury operations & Financial Markets

Holder of 1001 shares

### Don Wilson (Appointed 20 February 2007)

Treasurer

CPA

33 years in public accounting, including 22 years as principal of Wilson Graham & Associates in

Woy Woy

Interest in shares :5000

### Matthew Wales

Director

Age : 49

Director of Wales & Associates, Urban Design & Development Services for 18 years.

President of Peninsular Chamber of Commerce.

Joint Holder of 5001 shares

### Peter Mote (Resigned 21 November 2006)

Treasurer, resigned 21 November 2006

Age : 63

Management & Business Consultant

Extensive leadership & management experience in production, distribution, marketing & customer service

Holder of 5001 shares

### Mick Gage (Appointed 20 February 2007)

Director

Age : 65

Retired banker

45 years experience in Commercial Trading & Savings

Bank industry

Interest in shares : Nil

### Debra Wales (Appointed 20 February 2007)

Director

Age :54

Director Wales & Associates, Urban Design & Development Services

Co-Ordinator Peninsular Main street Committee

Former Gosford City Councillor

Joint holder of 5001 shares

### Alan Gleeson (Appointed 20 February 2007)

Director

Age : 59

Retired Accountantt

Company Director, Business Management Advisor

Real Estate Property Developer

Interest in shares : Nil

# Directors' report continued

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**Simon Della Vedova**

Director

Age : 29

Optometrist

Partner in local business, Bay Optical in

Ettalong Beach

Holder of 3001 shares

**Eric Leggett** (Appointed 20 February 2007)

Director

Age : 77

Retired Agronomist

Formerly Principal Agronomist (Remote Sensing) with

Department of Agriculture

Past Director with Agristaff Credit Union

Joint holder of 5000 shares

Directors were in office for this entire year unless otherwise stated.

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 16 July 2004.

**Principal activities**

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

**Operating results**

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was:

Year ended 30 June 2007	Year ended 30 June 2006
\$	\$
(176,433)	(246,098)

**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**

Cassandra Brewis - Branch Manager

Within a range of \$60,000 to \$80,000

# Directors' report continued

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## **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**

Except for the increase in the limit of the overdraft (now \$150,000) 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.

## **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 Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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' report continued

## Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

	Number of Board meetings eligible to attend	Number attended
David Steele	12	11
Peter Mote (Resigned 21 November 2006)	4	3
Brian Wright	12	12
Mick Gage (Appointed 20 February 2007)	12	11
Don Wilson (Appointed 20 February 2007)	5	5
Debra Wales (Appointed 20 February 2007)	12	8
Matthew Wales	12	9
Alan Gleeson (Appointed 20 February 2007)	12	9
Simon Della Vedova	12	8
Eric Leggett (Appointed 20 February 2007)	5	2

## 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.

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:

- 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;
- 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.

## Directors' report continued

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### **Auditors' independence declaration**

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Ettalong Beach, New South Wales on 25 October 2007.



**David Steele**  
**Chairman**



**Brian Wright**  
**Director**

# Auditor's independence declaration

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Chartered Accountants & Business Advisors

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## Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Ettalong Beach Financial Services Limited the year ended 30 June 2007, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

David Hutchings  
Auditor  
Andrew Frewin & Stewart

Bendigo  
25 October 2007

# Financial statements

## Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	281,741	180,376
Salaries and employee benefits expense		(255,074)	(229,177)
Advertising and promotion expenses		(6,718)	(13,896)
Occupancy and associated costs		(46,244)	(35,000)
Systems costs		(17,112)	-
Depreciation and amortisation expense	4	(37,341)	(34,333)
General administration expenses		(95,685)	(114,068)
<b>Loss before income tax expense/credit</b>		<b>(176,433)</b>	<b>(246,098)</b>
Income tax expense/credit	5	-	-
<b>Loss for the period</b>		<b>(176,433)</b>	<b>(246,098)</b>
<b>Loss attributable to members of the entity</b>		<b>(176,433)</b>	<b>(246,098)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- Basic for profit for the year	19	(23.32)	(33.00)

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Current assets</b>			
Cash assets	6	511	27,161
Trade and other receivables	7	19,823	15,067
<b>Total current assets</b>		<b>20,334</b>	<b>42,228</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	230,831	256,172
Intangible assets	9	33,000	45,000
<b>Total non-current assets</b>		<b>263,831</b>	<b>301,172</b>
<b>Total assets</b>		<b>284,165</b>	<b>343,400</b>
<b>Current liabilities</b>			
Trade and other payables	10	32,704	17,493
Borrowings	11	94,840	-
Provisions	12	19,333	12,185
<b>Total current liabilities</b>		<b>146,877</b>	<b>29,678</b>
<b>Total liabilities</b>		<b>146,877</b>	<b>29,678</b>
<b>Net assets</b>		<b>137,288</b>	<b>313,722</b>
<b>Equity</b>			
Contributed equity	13	722,104	722,104
Accumulated losses	14	(584,816)	(408,383)
<b>Total equity</b>		<b>137,288</b>	<b>313,721</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

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## Statement of changes in equity

As at 30 June 2007

	Note	2007 \$	2006 \$
Total equity at the beginning of the financial year		313,721	549,820
Net income/expense recognised directly in equity		-	-
Net loss for the year		(176,433)	(246,098)
<b>Total recognised income &amp; expenses for the year</b>		<b>137,288</b>	<b>303,722</b>
Shares issued during period		-	10,000
Costs of issuing shares		-	-
Dividends provided for or paid		-	-
<b>Total equity at the end of the financial year</b>		<b>137,288</b>	<b>313,722</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		274,226	170,150
Payments to suppliers and employees		(395,489)	(385,360)
Interest received		2,758	10,226
Interest paid		(2,985)	-
<b>Net cash outflow from operating activities</b>	<b>15</b>	<b>(121,490)</b>	<b>(204,984)</b>
<b>Cash flows from investing activities</b>			
Payments for property plant and equipment		-	(58,562)
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>(58,562)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	10,000
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>10,000</b>
<b>Net decrease in cash held</b>		<b>(121,490)</b>	<b>(253,546)</b>
Cash at the beginning of the financial year		27,161	280,707
<b>Cash at the end of the financial year</b>	<b>6(a)</b>	<b>(94,329)</b>	<b>27,161</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2007

## Note 1. Summary of significant accounting policies

### **Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

### **Compliance with IFRS**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

### **Historical cost convention**

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### **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.

### **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.

# Notes to financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **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 on 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 there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its 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.

# Notes to financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **Comparative figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

### **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   |

# Notes to financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Payment terms**

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

### **Trade 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 initially 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 equity**

Ordinary shares are 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.

# Notes to financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

## Note 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.

## Notes to financial statements continued

	2007 \$	2006 \$
<b>Note 3. Revenue from ordinary activities</b>		
<b>Operating activities:</b>		
- margin income	159,473	99,784
- services commissions	55,818	29,020
- other revenue	63,692	41,345
<b>Total revenue from operating activities</b>	<b>278,982</b>	<b>170,149</b>
<b>Non-operating activities:</b>		
- interest received	2,758	10,226
<b>Total revenue from non-operating activities</b>	<b>2,758</b>	<b>10,226</b>
<b>Total revenues from ordinary activities</b>	<b>281,741</b>	<b>180,375</b>

## Note 4. Expenses

<b>Depreciation of non-current assets:</b>		
- plant and equipment	12,265	9,432
- leasehold improvements	13,076	12,901
<b>Amortisation of non-current assets:</b>		
- franchise agreement	12,000	12,000
	<b>37,341</b>	<b>34,333</b>
<b>Finance costs:</b>		
- interest paid	2,985	-
<b>Bad debts</b>	<b>2,047</b>	-

## Notes to financial statements continued

	2007	2006
	\$	\$

### Note 5. Income tax expense

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

Operating loss	(176,433)	(246,098)
Prima facie tax on loss from ordinary activities at 30%	(52,930)	(73,829)
<b>Add tax effect of:</b>		
- non-deductible expenses	3,600	2,106
- timing difference expenses	5,480	
- blackhole expenses	(2,076)	
Tax losses not brought to account	45,927	71,723
<b>Income tax expense on operating loss</b>	<b>-</b>	<b>-</b>
<b>Income tax losses:</b>		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.		
<b>Future income tax benefit carried forward is:</b>	<b>(167,236)</b>	<b>(121,309)</b>

### Note 6. Cash assets

Cash at bank and on hand	511	27,161
Term deposits	-	-
	<b>511</b>	<b>27,161</b>

The above figures are reconciled to costs at the end of the financial year as shown in the statement of cashflows.

#### 6(a) Reconciliation of cash

Cash at bank and on hand	511	27,161
Bank overdraft	(94,840)	-
	<b>(94,329)</b>	<b>27,161</b>

## Notes to financial statements continued

	2007 \$	2006 \$
<b>Note 7. Trade and other receivables</b>		
Trade receivables	19,373	14,617
Rental bond	450	450
	<b>19,823</b>	<b>15,067</b>

## Note 8. Property, plant and equipment

### Plant and equipment

At cost	83,083	83,083
Less accumulated depreciation	(22,529)	(10,264)
	<b>60,554</b>	<b>72,819</b>

### Leasehold improvements

At cost	198,608	198,608
Less accumulated depreciation	(28,331)	(15,255)
	<b>170,277</b>	<b>183,353</b>

### Total written down amount

**230,831      256,172**

### Movements in carrying amounts:

#### Plant and equipment

Carrying amount at beginning	72,819	38,305
Additions	-	44,778
Less: depreciation expense	(12,265)	(10,264)
<b>Carrying amount at end</b>	<b>60,554</b>	<b>72,819</b>

#### Leasehold improvements

Carrying amount at beginning	183,353	184,824
Additions	-	13,784
Less: depreciation expense	(13,076)	(15,255)
<b>Carrying amount at end</b>	<b>170,277</b>	<b>183,353</b>
<b>Total written down amount</b>	<b>230,831</b>	<b>256,172</b>

## Notes to financial statements continued

	2007	2006
	\$	\$

### Note 9. Intangible assets

#### Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(27,000)	(15,000)
	<b>33,000</b>	<b>45,000</b>

### Note 10. Trade and other payables

Trade creditors	30,254	4,742
Other creditors & accruals	2,450	12,751
	<b>32,704</b>	<b>17,493</b>

### Note 11. Borrowings

<b>Bank overdraft</b>	<b>94,840</b>
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The above bank overdraft facility is to be charged interest at the Bendigo Bank Limited's Business Solutions Non-Residential Security Interest Rate (currently 10.15% varying from time to time).

### Note 12. Provisions

Employee provisions	19,333	12,185
<b>Number of employees at year end</b>	<b>7</b>	<b>7</b>

### Note 13. Contributed equity

756,711 Ordinary shares fully paid of \$1 each (2006: 756,711)	756,711	756,711
Less: equity raising expenses	(34,607)	(34,607)
	<b>722,104</b>	<b>722,104</b>

## Notes to financial statements continued

	2007 \$	2006 \$
<b>Note 14. Accumulated losses</b>		
Balance at the beginning of the financial year	(408,383)	(162,152)
Net loss from ordinary activities after income tax	(176,433)	(246,231)
<b>Balance at the end of the financial year</b>	<b>(584,816)</b>	<b>(408,383)</b>

## Note 15. Statement of cash flows

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

Loss from ordinary activities after income tax	(176,433)	(246,098)
<b>Non cash items:</b>		
- depreciation	25,341	22,333
- amortisation	12,000	12,000
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in receivables	(4,756)	10,958
- increase/(decrease) in payables	15,211	(4,177)
-increase/(decrease) in provisions	7,148	-
<b>Net cash flows used in operating activities</b>	<b>(121,489)</b>	<b>(204,984)</b>

## Note 16. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	3,000	3,500
- non audit services	-	-
	<b>3,000</b>	<b>3,500</b>

# Notes to financial statements continued

## Note 17. Director and related party disclosures

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

David Steele	
Peter Mote	(Resigned 21 November 2006)
Brian Wright	
Mick Gage	(Appointed 20 February 2007)
Don Wilson	(Appointed 20 February 2007)
Debra Wales	(Appointed 20 February 2007)
Matthew Wales	
Alan Gleeson	(Appointed 20 February 2007)
Simon Della Vedova	
Eric Leggett	(Appointed 20 February 2007)

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.

<b>Directors shareholdings</b>	<b>2007</b>	<b>2006</b>
David Steele	1,001	1,001
Peter Mote (Resigned 21 November 2006)	5,001	5,001
Brian Wright	1,001	1,001
Mick Gage (Appointed 20 February 2007)	-	-
Don Wilson (Appointed 20 February 2007)	5,000	5,000
Debra Wales (Appointed 20 February 2007)	* 5,001	* 5,001
Matthew Wales	* 5,001	* 5,001
Alan Gleeson (Appointed 20 February 2007)	-	-
Simon Della Vedova	3,001	3,001
Eric Leggett (Appointed 20 February 2007)	-	-

\* indicates joint shareholdings

There was no movement in Directors shareholdings during the year. Each share held is valued at \$1.

## Notes to financial statements continued

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	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>

### Note 18. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company

used in calculating earnings per share	(176,433)	(246,098)
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	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>

(b) Weighted average number of ordinary shares used as the

denominator in calculating basic earnings per share	756,711	756,711
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### Note 19. Events occurring after the balance sheet date

The Company has subsequently increased the limit of the overdraft to \$150,000. Apart from this exception there have been no events after the end of the financial year that would materially affect the financial statements.

### Note 20. Contingent liabilities

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

### Note 21. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Ettalong Beach, NSW.

### Note 22. Registered office/principal place of business

The registered office and principal place of business is:

263-267 Ocean View Road

Ettalong Beach, NSW 2257

# Notes to financial statements continued

## Note 23. 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 as disclosed 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 into by the economic entity.

### Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non Interest bearing		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

### Financial assets

Cash assets	-	26,692	-	-	-	-	-	-	510	477	N/A	0.05
Receivables	-	-	-	-	-	-	-	-	19,823	15,067	N/A	N/A

### Financial liabilities

Interest bearing liabilities	94,840	-	-	-	-	-	-	-	-	-	10.15	-
Payables	-	-	-	-	-	-	-	-	32,702	17,493	N/A	N/A

# Directors' declaration

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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 2007 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.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



**David Steele**  
**Chairman**



**Brian Wright**  
**Director**

Signed on 25 October 2007.

# Independent audit report



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ABN 51 061 795 337

## INDEPENDENT AUDITOR'S REPORT

To the members of Ettalong Beach Financial Services Limited

We have audited the accompanying financial report of Ettalong Beach Financial Services Limited which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independent Auditor's Opinion

In our opinion, the financial report of Ettalong Beach Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Ettalong Beach Financial Services Limited as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

  
**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 25<sup>th</sup> day of October 2007









Ettalong Beach **Community Bank**<sup>®</sup> Branch  
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Franchisee: Ettalong Beach Financial Services Limited  
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ABN 37 110 069 120

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Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR7071) (10/07)