

Inverloch & District Financial Enterprises Limited

Chairman's Report - 2011

The Year in Review: - Business conditions for the past Financial Year have been notably improved compared with those of the previous reporting period. Directors are pleased to be able to report to shareholders that for the 2010/2011 Financial Year the Company achieved a profit after income tax of \$61,307, resulting in Earnings per Share of 8.17 cents. This was achieved through an improvement in revenue from ordinary activities of 9%. This outcome has also improved shareholder equity by 2% to \$734,234.

Business Development: - During the year Directors embarked upon a community engagement initiative to encourage the establishment and support of an Agency in Tarwin Lower, so as to further develop our market share in this important adjunct area. Through these processes an on-line agency has now been established in the Terry White Pharmacy depot in Tarwin Lower, following a successful application by the owner of that business, Nik Anagnostou. Directors continue to work with both Nik Anagnostou and local community members to ensure the growth and success of this important business initiative.

The Board: - Directors serving on the Board have remained relatively stable since the 2010 AGM and they continue to bring their experience and knowledge to bear in the governance and effective operation of the Company. One Director, Andrew Lawson, resigned during the year for health reasons and I thank him for input during the time that he was a Director. I also wish to place on record my appreciation for the dedication and hard work of all of our Directors, particularly those that Chair each of the Board Sub-Committees as well as our Treasurer Terry Hall.

Community Contributions: - In part, the Company exists to retain and distribute community capital, to enhance community infrastructure and contribute to the various activities and representative groups that make up the community. During the years since inception, the Company is pleased to have contributed by way of charitable donations, grants and sponsorships to the support of the community as outlined in the following table:

Financial Year	Total
2005/06	\$363
2006/07	\$13,299
2007/08	\$28,892
2008/09	\$40,007
2009/10	\$65,100
2010/11	\$69,301
Grand Total	\$216,962

The Year to Come and Beyond: - It is anticipated that funds under management are likely to reduce marginally in the forthcoming year due to increased competition. To combat this anticipated decline the Company will focus upon growing the business through further developing regional business relationships as well as ensuring that we meet the needs of

existing customers. The Company will also strive to engage with the broad spectrum of community groups and sporting clubs and encourage them to become dedicated customers and “champions” of the Inverloch & District Community® Bank. To facilitate these outcomes the Board will conduct two Community Forums during the year, involving community groups, individuals and businesses as well as solidifying relationships with local authorities.

The Branch Team: - Although the year saw a decline in the business banking sector of the business, residential lending and consumer lending and banking arrangements remained relatively strong. For this success, I wish to acknowledge the efforts of our Branch Manager, Jackie Laurie and her staff. The Board acknowledges the high level service that is provided to our customers through their dedication and professionalism. Although some staff members moved on during the year the Branch has been able to continue the service that our customers have come to expect.

Our Shareholders: - Without shareholders investing in the formation of the Company, the outcomes achieved to date would not have been possible.. The Board and I appreciate the forbearance of shareholders during the formative years for the Company and although we were pleased to be able to deliver a small dividend last year we look forward to further recognising our shareholders support in forthcoming years.

Our Community – The Inverloch & District Community Bank® Branch continues to be well supported by the community and this is evidenced by the number of customers currently serviced by the Branch. The Board believe that there is potential for further growth of customer numbers and will embark upon an engagement strategy to raise the level of awareness about community banking and the benefits that can be achieved for community infrastructure and growth.